We connect.
Secure. Fast. Simple.

Netlinkz

# NETLINKZ LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

ABN 55 141 509 426

**Netlinkz Limited**
**Corporate directory**

| | | |
|---|---|---|
| Directors | James Tsiolis | CEO, Executive Chairman |
| | Hualin Zhang | Executive Director |
| | Bruce Rathie | Non-Executive Director |
| | Geoff Raby AO | Non-Executive Director |
| | James Stickland | Non-Executive Director |
| Company secretary | Erlyn Dale<br>Winton Willesee | |
| Registered office | Suite 11<br>50 Stanley Street<br>Darlinghurst NSW 2010 | |
| Principal place of business | Suite 11<br>50 Stanley Street<br>Darlinghurst NSW 2010 | |
| Share register | Computershare Investor Services Pty Ltd<br>Yarra Falls, 452 Johnston Street<br>172 St Georges Terrace<br>Abbotsford VIC 3067<br>Australia | |
| Auditor | BDO Audit (WA) Pty Ltd<br>38 Station Street<br>Subiaco WA 6008<br>Australia | |
| Stock exchange listing | Netlinkz Limited shares are listed on the Australian Securities Exchange<br><br>ASX code: NET | |
| Website | www.netlinkz.com | |

## Table of contents



Description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 29 September 2020. The Directors have the power to amend and reissue the financial statements.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Netlinkz Limited (referred to hereafter as 'Netlinkz', the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

**Directors**
The following persons were directors of Netlinkz Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

| | |
|---|---|
| James Tsiolis | (appointed on 11 November 2015) |
| Hualin Zhang | (appointed on 28 February 2019) |
| Bruce Rathie | (appointed on 21 April 2020) |
| Geoff Raby AO | (appointed on 8 September 2020) |
| James Stickland | (appointed on 8 September 2020) |
| Grant Thomson | (appointed on 25 October 2019 & resigned 8 September 2020) |
| David O'Dowd | (appointed on 15 November 2017 & resigned 26 November 2019) |
| Michael Beck | (appointed on 12 December 2019 & resigned 21 April 2020) |
| Ian Renwood | (appointed on 21 October 2019 & resigned 14 April 2020) |

**Principal activities**

Netlinkz provides secure and efficient cloud network solutions. The Company's technology makes Fortune-500 security commercially available for organisations of all sizes. Netlinkz has received numerous industry awards for its technology, including being a worldwide winner of the Global Security Challenge.

**Likely developments and expected results of operations**

Management's focus has shifted from developing a market-leading product to now driving sales and distribution. The Company's growth strategy involves increasing adoption in existing markets and establishing further partnerships in new regions to sell the VSN.

The Company is looking to hire key senior executives to implement its distribution strategy and manage the growth of the business. There are offices now in Sydney, Melbourne, Tokyo, Shanghai and Beijing.

At the date of signing, there remains a high level of uncertainty as to the short-to-medium term impact of the COVID-19 pandemic on economies globally. The Company will continue to monitor the situation closely.

**Overview of Results**

The Directors of Virtual Secure Network ("VSN") company Netlinkz Limited are pleased to present their report on the consolidated entity and the entities it controlled at the end of, or during the full year ended 30 June 2020. Netlinkz achieved considerable revenue growth and made strong operational progress through a number of key initiatives that put in place a sound platform for growth over the medium to long term.

The net loss for the consolidated entity amounted to $23,974,272 (Prior year loss: 30 June 2019 $18,509,291).
The current year loss included (a) financing and restructuring costs of $5,204,865 (30 June 2019: $1,388,738) , (b) business development, marketing, and travel costs of $1,876,009 (30 June 2019: $3,883,988), (c) administration, office, and corporate costs of $7,905,560 (30 June 2019: $1,564,355) ; and (d) development and commercialisation costs of $3,546,639 (30 June 2019: $513,565).

Underpinning its considerable growth in China, during the period Netlinkz entered into a Memorandum of Understanding ("MOU") with iSoftStone Information and Technology (Group) Co. Ltd ("ISS") to establish Beijing iLinkAll Technology Co. Ltd ("iLinkAll"), a China based joint venture company focused on the commercialisation of IP, including the Company's Virtual Invisible Network (VIN) and now predominantly its VSN.

This MOU led to the Company releasing its first two products from its Beijing IoT Lab at the Amazon Web Services ("AWS") Summit. The VSN products launched were SD WAN solutions for Android and iOS, aimed at governments, industry and individuals.

Subsequent to AWS Summit launch, Netlinkz reached a decision with ISS to finalise the agreement and move to 80% ownership of iLinkAll. The change in shareholding reflects the acknowledgement from ISS that Netlinkz would deliver significant management expertise and financial resources to ensure its success.

Since inception, iLinkAll has made tremendous progress in China with the joint venture company securing a diverse number of agreements that have expedited VSN uptake and considerably enhanced and diversified the revenue base. The VSN is being used in several sectors, including water utility management, logistics, medical data management, robotics, retail and manufacturing. With several clients being multinational companies operating in China.

These agreements included a contract to provide our VSN software to a World Bank sponsored initiative to improve water supply and sanitation services in the Deyang Municipality of the Sichuan Province, a one-year contract with Pinnacle (Shanghai) Information Consultation Ltd ("Pinnacle") allowing Pinnacle to sell VSN Lite to its customers and an agreement with Shanghai M-Soft Information Technology Co. Ltd. ("M-Soft"), to distribute and sell VSN and VSN Mobile.

With respect to the Australian operations, Netlinkz acquired leading system integrator and value-added reseller SSI Pacific Pty Ltd ("SSI") for $10.2m. SSI is a Melbourne-based reseller specialising in Lawful Intervention (LI) and Data Retention (DR) system design/development, implementation and maintenance/support solutions. It has an established customer base in Australia, New Zealand and the Asia Pacific regions, including top tier telecommunications companies, and it is integrating well as part of Netlinkz.

The SSI acquisition provides Netlinkz with another distribution channel for its products in Australia and other markets where SSI has a presence. SSI is now proactively cross selling Netlinkz's VSN to its own customers – another avenue to build revenue.

New market opportunities will be reviewed by the Company, diversifying its sales distribution channels in new regional markets. The ASEAN region is a key opportunity the Company will continue to explore and develop with key partners, including Natsoft for the Indian and Singaporean markets. The Company will expand its IOT Labs in the ASEAN region to allow the localisation of the VSN product. The IOT Labs also allow the Company to demonstrate the application of the product.

*Impact of COVID-19*
In response to COVID-19, the Company implemented measures across its Australian and Chinese operations to protect its team while also maintaining normal activity as much as possible. All Australia-based engineers, technology and administration staff have been successfully working remotely since March 2020 with no discernible disruption to the business. Staff employed at the Beijing IoT lab returned to working on-site in April 2020.

The take-up of work-from-home initiatives instituted by businesses the world over has created increased interest in Netlinkz's products which, among many other applications, provide secure remote work solutions.
The Company is closely monitoring the impact of COVID-19 on its customers to assess whether there is likely to be a negative impact on earnings, continuing as a going concern and impairment of intangible assets for the Company. So far, no such negative impacts have been experienced by the Company.

**Dividends**

No dividends have been declared for the year ended 30 June 2020 or for the previous corresponding period.

**Significant changes in the state of affairs**

Significant changes to the state of affairs of the consolidated entity during the financial year were as follows:

Contributed equity increased by $30,587,282 less capital raising costs of $2,083,659 as a result of issue of shares. Details of the changes in contributed equity are disclosed in note 14 to the financial statements.

On 24 December 2019, NET announced that it had entered into share purchase and convertible security agreements ('SPCSA') with each of CST Capital Pty Ltd as trustee for the CST Investments Fund ('CST') and Lind Global Macro Fund, LP ('Lind') pursuant to which CST and Lind had agreed to provide funding to NET through the issuance of shares upon receipt of funding tranches and the issuance of convertible notes. The full terms and conditions of the SPCSAs with each of Lind and CST are set out in the ASX announcement dated 24 December 2019. Subsequent to the end of the reporting period, the Company effected the termination of the SPCSAs with each of Lind and CST upon: reducing their 9,650,000 collateral shares to nil; an initial payment of $1,020,000 and $820,000 to CST and Lind respectively, on 7 August 2020; the issuance of 10,000,000 fully paid ordinary shares to each of Lind and CST on 24 September 2020; and, payment of $2,300,000 to each of Lind and CST, on 25 September 2020.

In addition to the above, the Company completed the following capital raisings during the reporting period:

- During December 2019, the Company raised $8.0 million under the SPCSAs with CST and Lind and a further $4.0 million under an equity placement ("December 2020 Placement").
- During February 2020, the Company raised $4.5 million under an equity placement ("February 2020 Placement").

Other than as noted elsewhere in this report, there were no other significant changes in the state of affairs of the Group during the financial year.

**Matters subsequent to the end of the financial year**

On 1 July 2020, the Company announced that it had become aware that it exceeded its capacity to issue equity securities without security holder approval under ASX listing rule 7.1 ('Issue Capacity') by 80,098,389 on 14 February 2020 due to NET not including all of the Maximum Shares in its Issue Capacity calculation and then proceeding with the February 2020 Placement. In light of the breach, NET is not permitted to seek ratification from its shareholders for the 80,098,389 securities described above, and these securities will continue to use up a portion of NET's issue capacity for a period of 12 months (until 14 February 2021). Refer to ASX announcement dated 1 July 2020 for further details.

As noted above, on 31 July 2020, the Company announced its intention to terminate the SPCSAs between the Company and each of Lind and CST. Further, the Company announced its intention to raise up to $18 million through the issuance of convertible notes to new investors, subject to shareholder approval. Refer to ASX announcement dated 31 July 2020 for further details.

Following this announcement, the voluntary suspension initiated by the Company on 19 June 2020 was lifted, and trading in the Company's securities was reinstated.

On 11 August 2020 the Company issued 73,375,000 fully paid ordinary shares upon the exercise of options.

On 17 August 2020 the Company advised that a General Meeting of the Company would be held to ratify previous share and option issuances and approve the issuance of additional securities at a meeting of shareholders to be held on 17 September 2020. Items to approve, amongst other things:

a) the issuance of securities to each of Lind and CST to give effect to the proposed termination of the SPCSAs;
b) the issuance of convertible notes to allow the Company to raise up to $18 million; and
c) the ratification of certain previous issues of securities, thereby increasing the Company's availability Issue Capacity.

Refer to the Notice of General Meeting ASX announcement dated 17 August 2020 for further details.

On 27 August 2020 the Company announced the signing of a Master Services Agreement (MSA) with digital technology services provider, Natsoft, which has an established presence in the US, India, Australia and Singapore. Natsoft has a large global blue-chip customer base and will act as a reseller of Netlinkz's VSN in India and other international markets.

On 8 September 2020 the Company announced a series of changes to the Board and Management team, including:

a) The appointment of Australia's former ambassador to China, Dr Geoff Raby AO, and senior IT executive, Mr James Stickland, as Non-Executive Directors of the Company;
b) The appointment of Mr Sandy Aitken as Chief Operating Officer;
c) The appointment of former Chief Operating Officer, Mr James Preketes, to the role of Head of Global Partnerships; and
d) The resignation of Mr Grant Thomson as a Non-Executive Director, with Mr Thomson taking a more active role in the business as Chief Revenue Officer.

Further, subject to shareholder approval at the next annual general meeting, certain Directors will be entitled to the issuance of 10 million options. Refer to the "Information on directors" subheading below for more information.

On 17 September 2020, the Company held a General Meeting of Shareholders of the Company, at which the Company sought, and obtained, shareholder approval for:

a) the ratification of certain prior issuances of equity securities in the Company;
b) the proposed issuance of shares and options to several consultants and service providers in settlement of contractual obligations due by the Company to those parties;
c) the proposed issuance of securities to each of Lind and CST to give effect to the proposed termination of the SPCSAs
d) the proposed issuance of convertible notes to allow the Company to raise up to $18 million;

as set out in the Notice of Meeting released to the ASX on 17 August 2020.

On 22 September 2020, the Company issued 15,000,000 fully paid ordinary shares to Systemic Pty Ltd, in accordance with shareholder approval which was obtained on 17 September 2020.

On 25 September 2020, the Company announced that it had received firm commitments to raise $4,995,000 (net of interest offset) by the issuance of 6,166,664 Convertible Notes and 46,249,965 free attaching Options, and had agreed to issue a further 7,793,980 Convertible Notes (and free-attaching Options) in settlement of existing debt totalling $6,313,125, pursuant to the Convertible Note Offer under the Prospectus (**Convertible Note Offer**) announced by the Company to ASX on 17 September 2020 (**Prospectus**). These securities were issued in the following tranches:

a) On 24 September 2020, the Company issued to professional and sophisticated investors:
   a. 11,151,231 Convertible Notes, each with a face value of $1 and maturity date of 12 months, or such date on or after 1 December 2020 as the holder specifies by notice to the Company; and
   b. 83,634,229 unlisted Options with an exercise price of $0.10 and an expiry date of 24 September 2022, free attaching to the Convertible Notes;
b) On 25 September 2020, the Company issued to professional and sophisticated investors:
   a. 2,315,584 Convertible Notes, each with a face value of $1 and maturity date of 12 months, or such date on or after 1 December 2020 as the holder specifies by notice to the Company; and
   b. 17,366,875 unlisted Options with an exercise price of $0.10 and an expiry date of 25 September 2022, free attaching to the Convertible Notes; and
c) On 28 September 2020, the Company issued to professional and sophisticated investors:
   a. 493,829 Convertible Notes, each with a face value of $1 and maturity date of 12 months, or such date on or after 1 December 2020 as the holder specifies by notice to the Company; and
   b. 3,703,716 unlisted Options with an exercise price of $0.10 and an expiry date of 28 September 2022, free attaching to the Convertible Notes.

In addition to the issues noted above, the Company also issued:

a) on 24 September 2020:
   a. 10,307,471 Shares in respect of lead manager fees in connection with the Convertible Note Offer;
   b. 2,500,000 unlisted Options with an exercise price of $0.16 and expiry date of 24 September 2023 pursuant to the Tanaka Offer under the Prospectus;
   c. 5,000,000 unlisted Options with an exercise price of $0.06 and expiry date of 24 September 2022 pursuant to the BJS Robb Offer under the Prospectus; and
   d. 10,000,000 Shares to each of Lind and CST to give effect to the proposed termination of the SPCSAs (20,000,000 Shares in aggregate);
b) on 28 September 2020, 2,615,661 Shares in respect of lead manager fees in connection with the Convertible Note Offer; and
c) on 29 September 2020, 868,659 unlisted Options pursuant to the Helicopter Offer under the Prospectus.

On 29 September 2020, the Company cancelled the convertible notes held by each of Lind and CST (as announced on 24 December 2019), and having issued all of the securities proposed to be issued under the Prospectus, advised that all offers under the Prospectus had closed.

Funds raised from the issue of the Convertible Notes on 24 September 2020 and 25 September 2020 were used to settle the Company's outstanding debt due to Lind and CST under the SPCSAs, with the termination of the SPCSAs effective 28 September 2020.

Other than as noted above, or elsewhere in this report, there have not been any other material events subsequent to the year ended 30 June 2020.

**Environmental regulation**

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

**Information on directors**

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|---|---|
| Name: | James Tsiolis |
| Title: | CEO, Executive Chairman |
| Appointed: | 11 November 2015 |
| Qualifications: | Bachelor of Economics, Grad Cert Quantitative Finance |
| Experience and expertise: | Mr Tsiolis has over 25 years of experience in funds management and capital markets. He is a founder and current CEO of Strategic Capital Management Limited (SCM), an investment management and advisory firm. Mr Tsiolis was the investment adviser to several large superannuation funds, including Military Superannuation ($3.9 billion), as well as the funds manager of SCM's retail products ($1 billion). Mr Tsiolis has been a member of several investment and corporate advisory committees including Macquarie Global Infrastructure Funds, Rosemont Partners, Direct Investment Fund, Deutsche Private Equity, Military Superannuation, Citic China Mezzanine Investment Fund and Energy Investors Group. Mr Tsiolis has overseen a number of investments from start up to IPO in the technology sector. Prior to SCM, Mr Tsiolis served as the Head of Research at ipac Securities. He was also a Senior Investment Analyst of ASSIRT Investment & Technology and a quantitative analyst of James Capel Australia Ltd. Mr Tsiolis is a Governor of the Archaeological Institute in Athens and former deputy chairman of North Asian Strategic Holdings Limited. |
| Other current directorships: | None |
| Former directorships (last 3 years): | North Asia Strategic Holdings Ltd |
| Share & Option Holdings: | 88,170,538 ordinary shares<br>2,250,000 Options exercise price $0.045 Expiry 2 July 2021<br>2,250,000 Options exercise price $0.090 Expiry 2 July 2021<br>1,500,000 Options exercise price $0.150 Expiry 2 July 2021<br>Mr Tsiolis has the right, subject to shareholder approval (which is being sought at the Company's upcoming annual general meeting), to be issued 20,000,000 shares in respect of a share bonus owing by the Company. Refer to note 5 for more information. |

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| Name: | Hualin Zhang |
| Title: | Executive Director |
| Appointed: | 28 February 2019 |
| Experience and expertise: | Mr Zhang has over 30 years extensive experience in the Telecom and Technology sectors in China and was most recently appointed the Senior President of China Telecom Co. Wuxi. He has also held various roles throughout his career providing him with significant experience in introducing new technologies into the China market. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Share & Option Holdings: | None. Mr Zhang has the right, subject to shareholder approval (which is being sought at the Company's upcoming annual general meeting), to be issued 10,000,000 Options in the following tranches:<br>• 2,500,000 Options with an exercise price of $0.10 each;<br>• 2,500,000 Options with an exercise price of $0.15 each;<br>• 2,500,000 Options with an exercise price of $0.20 each; and<br>• 2,500,000 Options with an exercise price of $0.25 each.<br>Each Option will have an expiry date of 1 September 2023 and will be subject to certain vesting conditions. |

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| Name: | Bruce Rathie |
| Title: | Non-Executive Director |
| Appointed: | 21 April 2020 |
| Qualifications: | Bruce holds degrees in law (LLB), commerce (B. Commerce) and business (MBA Geneva). He is particularly strong in governance being a Fellow of the AICD and holding its Diploma Company Director, a Fellow of Australian Institute of Managers & Leaders and a Fellow of the Governance Institute and holding its Diploma Company Secretarial Practice |

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| Experience and expertise: | Bruce's legal career included being a partner of a prominent private law firm and then Senior Corporate Counsel to Robert Holmes a Court's Bell Resources Limited in the 1980's. After practicing law, he went into investment banking in 1986 which took him to New York for 3 years returning to Sydney in 1990. He spent the 1990's as an investment banker in Sydney, the last 5 of which as Director Investment Banking and Head of the Industrial Franchise Group at Salomon Brothers and then Salomon Smith Barney where he led the firm's JLM roles in the privatisations or IPOs of Qantas, Commonwealth Bank and Telstra amongst other major transactions of the day. Bruce has been a professional Director since 2000 in roles with ASX listed and unlisted companies predominantly in the financial services, biotechnology and technology sectors. |
| Other current directorships: | Bruce is currently a Non-Executive Director of ASX 200 PolyNovo Limited, Capricorn Society Limited and Australian Meat Processors Corporation Limited. He is also Chairman of Capricorn Mutual Limited and ASX listed 4D Medical Limited. |
| Former directorships (last 3 years): | Previously, Bruce has been a Non-Executive Director of ASX listed Datadot Technology Limited (Chair). |
| Share & Option Holdings: | None. Mr Rathie has the right, subject to shareholder approval (which is being sought at the Company's upcoming annual general meeting), to be issued 10,000,000 Options in the following tranches:<br>• 2,500,000 Options with an exercise price of \$0.10 each;<br>• 2,500,000 Options with an exercise price of \$0.15 each;<br>• 2,500,000 Options with an exercise price of \$0.20 each; and<br>• 2,500,000 Options with an exercise price of \$0.25 each.<br>Each Option will have an expiry date of 1 September 2023 and will be subject to certain vesting conditions. |

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| Name: | Geoff Raby AO |
| Title: | Non-Executive Director |
| Appointed: | 8 September 2020 |
| Experience and expertise: | Dr Geoff Raby is an Australian economist and diplomat with over 27 years in the public service. He served as the Australian Ambassador to the People's Republic of China from 2007 to 2011 and has extensive in-country experience. Dr Raby was also the Deputy Secretary in the Department of Foreign Affairs and trade (DFAT) from 2002 to 2006 and held a number of senior roles within the department.<br>Dr Raby is currently the Chairman and CEO of Geoff Raby & Associates, a Beijing-based business advisory firm. Dr Raby is also a senior advisor to leading independent Australian-owned financial advisory and fund management business Gresham. He has also held a number of ASX-listed company directorships, including roles with Yancoal, Fortescue Mining Group, and OceanaGold amongst others. |
| Other current directorships: | OceanaGold (ASX: OCG), Yancoal (ASC:YAL) |
| Former directorships (last 3 years): | iSentia (ASX:ISD), Wiseways (ASX: WWG) |
| Share & Option Holdings: | None. Dr Raby has the right, subject to shareholder approval (which is being sought at the Company's upcoming annual general meeting), to be issued 10,000,000 Options in the following tranches:<br>• 2,500,000 Options with an exercise price of \$0.10 each;<br>• 2,500,000 Options with an exercise price of \$0.15 each;<br>• 2,500,000 Options with an exercise price of \$0.20 each; and<br>• 2,500,000 Options with an exercise price of \$0.25 each.<br>Each Option will have an expiry date of 1 September 2023 and will be subject to certain vesting conditions. |

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| Name: | James Stickland |
| Title: | Non-Executive Director |
| Appointed: | 8 September 2020 |
| Experience and expertise: | Mr Stickland is an experienced executive and has held senior roles with HSBC, JP Morgan Chase and Cisco. Mr Stickland was also CEO of biometric security business Veridium, where he was responsible for growing the company's revenue and balance sheet and completing a successful US\$16.5m Series B funding round with American multinational software company Citrix. Mr Stickland also helped |

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| | develop and lead Veridium's global 'go to market' strategy for its flagship solution, VeridiumID. During his roles with HSBC and JP Morgan Chase, Mr Stickland focused on accelerating innovation capabilities in investee companies and delivering investments in enterprise technology, including cloud, mobile, social, data and security applications. He also drove business strategy for retail and private banking and trading offerings. |
| Other current directorships: | Veridum Ltd (Registered in the UK) |
| Former directorships (last 3 years): | None |
| Share & Option Holdings: | None. Mr Stickland has the right, subject to shareholder approval (which is being sought at the Company's upcoming annual general meeting), to be issued 10,000,000 Options in the following tranches:<br>• 2,500,000 Options with an exercise price of \$0.10 each;<br>• 2,500,000 Options with an exercise price of \$0.15 each;<br>• 2,500,000 Options with an exercise price of \$0.20 each; and<br>• 2,500,000 Options with an exercise price of \$0.25 each.<br>Each Option will have an expiry date of 1 September 2023 and will be subject to certain vesting conditions. |

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|---|---|
| Name: | Grant Thomson |
| Title: | Non-Executive Director |
| Appointed: | 25 October 2019 |
| Resigned: | 8 September 2020 (now Netlinkz Chief Revenue Officer) |
| Qualifications: | Business, High Point University, North Carolina |
| Experience and expertise: | Mr Thomson has over 20 years of enterprise and entrepreneurial IT experience, he is an experienced Business and IT Executive, having worked with local and international businesses in Advisor, Founder and Partner capabilities.<br>Mr Thomson has had a long career with Enterprise IT providers, IBM and Salesforce, in a variety of roles such as Technical Project Management, Service Delivery, Sales, Consulting, Management and Executive Leadership positions.<br>Over the last few years, Mr Thomson has focused on helping smaller companies, such as GrowthOps, Versent and Nebulr (now Contino), scale and better engage Enterprise clients with Cloud technologies. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Share & Option Holdings: | None as at 8 September 2020 (being the date of his resignation as a director). Mr Thomson has the right, subject to shareholder approval (which is being sought at the Company's upcoming annual general meeting), to be issued 10,000,000 Options in the following tranches:<br>• 2,500,000 Options with an exercise price of \$0.10 each;<br>• 2,500,000 Options with an exercise price of \$0.15 each;<br>• 2,500,000 Options with an exercise price of \$0.20 each; and<br>• 2,500,000 Options with an exercise price of \$0.25 each.<br>Each Option will have an expiry date of 1 September 2023 and will be subject to certain vesting conditions. |

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| Name: | David O'Dowd |
| Title: | Non-Executive Director |
| Appointed: | 15 November 2017 |
| Resigned: | 26 November 2019 |
| Experience and expertise: | Mr O'Dowd was first admitted as a solicitor over 30 years ago and has practiced as a barrister for over 25 years. He has advised Directors of public companies in relation to commercial transactions and regulatory and compliance matters. He has also practiced extensively in commercial law. He has assisted companies in capital raising both as an advisor and investor. Mr O'Dowd is the President of the non-profit organisation Thredbo Ski Patrol Inc, having held the offices of Vice President, Secretary, Captain and Vice-Captain over 32 years of service. Mr O'Dowd will bring to the Board both commercial and compliance expertise as well as practical legal experience. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Share & Option Holdings: | 9,048,845 ordinary shares<br>10,000,000 options exercise price \$0.020 Expiry 2 July 2021 |

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|---|---|
| Name: | Michael Beck |
| Title: | Non-Executive Director |
| Appointed: | 12 December 2019 |
| Resigned: | 21 April 2020 |
| Experience and expertise: | Mr Beck has extensive experience in financial services over a forty-year career as an economist, strategist and fund manager. He was a senior economist with the Reserve Bank of Australia, an Executive Director and Chief Investment Officer of Macquarie Bank and Executive Director of Strategic Capital Management.<br>Mr Beck's skill-set will complement the existing Board members who all have significant technology experience. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Share & Option Holdings: | 1,001,866 ordinary shares |

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|---|---|
| Name: | Ian Renwood |
| Title: | Non-Executive Director |
| Appointed: | 21 October 2019 |
| Resigned: | 14 April 2020 |
| Qualifications: | MBA with majors in Strategy & Corporate Finance, University of Sydney. |
| Experience and expertise: | Mr Renwood is the lead Partner of the technology advisory practice in the Sydney office of Grant Thornton, he previously held similar roles at Ferrier Hodgson, IBM, Andersen, ISG and Proudfoot. He has worked for these organisations in Australia, New Zealand, US, UK and across Asia where he spent many years living in 'Singapore and Hong Kong. Prior to management consulting Mr Renwood worked for banking, insurance and electronic funds transfer companies.<br>Mr Renwood has taken leadership roles in the emergence of technology start-ups in Australia and represented IBM in its corporate partnership with Sydney incubator Stone & Chalk. He continues to be an active mentor for tech start-ups. He has served as a non-executive director of a private equity firm and various charities, foundations and clubs and presently serves on the advisory boards of Alpha Vista Financial Services, and BetaSmartz. He started his career as an electronics engineer in the Royal Australian Navy where he specialised in electronic warfare and communications. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Share & Option Holdings: | None |

Other current directorships quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last 3 years) quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company secretary**

Ms Erlyn Dale has a broad range of experience in corporate governance and company administration having held positions as company secretary of a number of ASX listed public companies across a range of industries. Miss Dale holds a Bachelor of Commerce (Accounting and Finance) and a Graduate Diploma of Applied Corporate Governance and is an Associate Member of both the Institute of Chartered Secretaries and Administrators and the Governance Institute of Australia.

Mr Winton Willesee has a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. He also has considerable experience with ASX-listed and other companies over a broad range of industries in a number of jurisdictions having been involved with many successful ventures from early stage through to large capital development projects. Mr Willesee holds formal qualifications in economics, finance, accounting, education and governance. He is a Fellow of the Financial Services Institute of Australasia, Member of the Australian Institute of Company Directors, Member of CPA Australia, and a chartered secretary.

**Meetings of directors**
The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

| | Board Meetings | |
|---|---|---|
| | Number Attended | Number Held While In Office* |
| James Tsiolis | 6 | 6 |
| Hualin Zhang | 2 | 6 |
| Bruce Rathie | 3 | 3 |
| Grant Thomson | 4 | 4 |
| David O'Dowd | 2 | 2 |
| Michael Beck | 1 | 1 |
| Ian Renwood | 1 | 2 |
| Geoff Raby AO | 0 | 0 |
| James Stickland | 0 | 0 |

* Represents the number of meetings held during the time the director held office.

In addition to the above, the Company has established the following committees of the Board:

a) an Audit and Risk Committee (**ARC**) was established on 29 February 2020 comprising Michael Beck and James Tsiolis, and as at 29 April 2020 comprised Bruce Rathie and Grant Thomson. As at the date of this Report, following several board and management changes during the year, the ARC is now comprised of Bruce Rathie, Geoff Raby and James Stickland.

b) a Remuneration and Nomination Committee (**RNC**) was established on 26 May 2020 and comprised Grant Thomson and Bruce Rathie. As at the date of this Report, following several board and management changes during the year, the RNC is now comprised of Geoff Raby, Bruce Rathie and James Stickland.

c) a Technology Committee was established on 24 June 2020 and comprised Grant Thomson, James Tsiolis and Bruce Rathie. As at the date of this Report, following several board and management changes during the year, the Technology Committee is now comprised of James Tsiolis, Bruce Rathie and James Stickland.

The number of meetings of the Company's Committees held during the year ended 30 June 2020, and the number of meetings attended by each director were as follows:

| | Audit and Risk Committee Meetings | |
|---|---|---|
| | Number Attended | Number Held While In Office* |
| Bruce Rathie[1] | 3 | 3 |
| Grant Thomson[2] | 3 | 3 |
| James Tsiolis[3] | 1 | 1 |
| Michael Beck[4] | 1 | 1 |
| Geoff Raby AO[5] | 0 | 0 |
| James Stickland[6] | 0 | 0 |

* Represents the number of meetings held during the time the director held office.

**Notes:**
1. Mr Rathie joined the ARC on 29 April 2020, and remains a member of the ARC.
2. Mr Thomson joined the ARC on 29 April 2020, and resigned from the ARC on 8 September 2020, concurrent with his resignation from the Board.
3. Mr Tsiolis joined the ARC on 29 February 2020, and resigned from the ARC on 29 April 2020.
4. Mr Beck joined the ARC on 29 February 2020, and resigned from the ARC on 21 April 2020, concurrent with his resignation from the Board.
5. Mr Raby joined the ARC on 25 September 2020, and remains a member of the ARC.
6. Mr Stickland joined the ARC on 25 September 2020, and remains a member of the ARC.

| | Remuneration And Nomination Committee Meetings | |
|---|---|---|
| | Number Attended | Number Held While In Office* |
| Bruce Rathie[1] | 3 | 3 |
| Grant Thomson[2] | 3 | 3 |
| Geoff Raby AO[3] | 0 | 0 |
| James Stickland[4] | 0 | 0 |

* Represents the number of meetings held during the time the director held office.

**Notes:**
1. Mr Rathie joined the RNC on 26 May 2020, and remains a member of the RNC.
2. Mr Thomson joined the RNC on 26 May 2020, and resigned from the RNC on 8 September 2020, concurrent with his resignation from the Board.
3. Mr Raby joined the RNC on 25 September 2020, and remains a member of the RNC.
4. Mr Stickland joined the RNC on 25 September 2020, and remains a member of the RNC.

| | Technology Committee Meetings | |
|---|---|---|
| | Number Attended | Number Held While In Office* |
| Bruce Rathie[1] | 1 | 1 |
| James Tsiolis[2] | 1 | 1 |
| Grant Thomson[3] | 1 | 1 |
| James Stickland[4] | 0 | 0 |

* Represents the number of meetings held during the time the director held office.

**Notes:**
1. Mr Rathie joined the Technology Committee on 24 June 2020, and remains a member of the Technology Committee.
2. Mr Tsiolis joined the Technology Committee on 24 June 2020, and remains a member of the Technology Committee.
3. Mr Thomson joined the Technology Committee on 24 June 2020, and resigned from the Technology Committee on 8 September 2020, concurrent with his resignation from the Board.
4. Mr Stickland joined the Technology Committee on 25 September 2020, and remains a member of the Technology Committee.

## Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward and the achievement of strategic objectives for the creation of value for shareholders.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

*Non-executive directors' remuneration*
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually. The Directors' may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Shareholders approve the maximum aggregate remuneration for non-executive directors. The RNC recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, if appropriate. ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The aggregate approved remuneration for non-executive directors is $500,000.

Fees for non-executive directors are not linked to the performance of the Company. Non-executive directors may receive share options or other incentives which would be subject to shareholder approval. However, to align Directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and may be granted options in the future.

*Executive remuneration*
The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility. Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations. Executives may receive their remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

Remuneration for certain individuals may be directly linked to the performance of the Consolidated Entity. In the future, a portion of cash bonus and incentive payments will be dependent on defined performance targets being met. Currently, the cash bonus and incentive payments are at the discretion of the Board. Share based payments (equity settled) or options may also be issued as performance linked compensation, subject to any necessary shareholder approval. The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

The executive chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

*Reliance on external remuneration consultants*
During the year, the Company engaged remuneration consultants, Egan & Associates, to review its existing remuneration policies and to provide market comparisons and recommendation on the remuneration range for the position of Chief Executive Officer. Egan & Associates were paid $6,930 for these services.
Egan & Associates have confirmed that any remuneration recommendations have been made free from undue influence by members of the Company's key management personnel.
The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- Egan & Associates were engaged by, and reported directly to, the Board, having Mr Tsiolis absent during relevant discussions. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee under delegated authority on behalf of the board.
- The report containing the remuneration recommendations were provided by Egan & Associates directly to the independent directors of the board; and
- Egan & Associates were permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, Egan & Associates were not permitted to provide any member of management with a copy of the draft or final report that contained the remuneration recommendations.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

*Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')*
At the 2019 AGM, 98.56% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

### Details of remuneration

*Amounts of remuneration*
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following personnel for the current and previous financial year:

| | |
|---|---|
| James Tsiolis | CEO & Executive Director – Chairman (appointed 11 November 2015) |
| Hualin Zhang | Executive Director (appointed 28 February 2019) |
| Bruce Rathie | Non-Executive Director (appointed 21 April 2020) |
| Geoff Raby AO | Non-Executive Director (appointed 8 September 2020) |
| James Stickland | Non-Executive Director (appointed 8 September 2020) |
| Matthew Ryan | Chief Financial Officer (appointed 27 April 2020) |
| Grant Thomson | Non-Executive Director (appointed 25 October 2019 & resigned 8 September 2020) |
| David O'Dowd | Non-Executive Director (appointed 14 November 2017 & resigned 26 November 2019) |
| James Johnston | Chief Technology Officer (appointed 1 January 2019 & ceased to be KMP on 3 February 2020) |
| Ian Renwood | Non-Executive Director (appointed 21 October 2019 & resigned 14 April 2020) |
| Michael Beck | Non-Executive Director (appointed 12 December 2019 & resigned 21 April 2020) |
| James Preketes | Chief Operating Officer (appointed 3 June 2019 & resigned 30 April 2020) |
| Xiaowen Shi | Non-Executive Director (appointed 3 July 2018 & resigned 28 February 2019) |
| Peter Apostolopoulos | Non-Executive Director (appointed 27 December 2017 & resigned 31 July 2018) |

| 2020 | Cash Salary and fees $ | Cash Bonus $ | Post-employment Super-annuation $ | Short-term benefits Annual Leave $ | Equity settled share-based payments Shares $ | Equity settled share-based payments Options $ | Total $ | Performance Related % |
|---|---|---|---|---|---|---|---|---|
| *Non-Executive Directors:* | | | | | | | | |
| Bruce Rathie[1] | 16,369 | - | 1,555 | - | - | - | 17,924 | 0% |
| Grant Thomson[2] | 85,000 | - | - | - | - | - | 85,000 | 0% |
| David O'Dowd[3] | 32,700 | - | - | - | - | - | 32,700 | 0% |
| Michael Beck[4] | 48,000 | - | - | - | - | - | 48,000 | 0% |
| Ian Renwood[5] | - | - | - | - | - | - | - | 0% |
| Geoff Raby[6] | - | - | - | - | - | - | - | 0% |
| James Stickland[7] | - | - | - | - | - | - | - | 0% |
| *Executive Directors:* | | | | | | | | |
| James Tsiolis[8] | 660,000 | 690,000[13] | 21,003 | - | 1,160,000[14] | - | 2,531,003 | 73% |
| Hualin Zhang[9] | 131,250 | - | - | - | - | - | 131,250 | 0% |
| *Other Executive KMP:* | | | | | | | | |
| Matthew Ryan[10] | 27,506 | - | 2,613 | - | - | - | 30,119 | 0% |
| James Johnston[11] | 162,150 | - | 13,219 | - | - | - | 175,369 | 0% |
| James Preketes[12] | 273,238 | - | 21,690 | - | 150,000[15] | - | 444,928 | 0% |
| | 1,436,213 | 690,000 | 60,079 | - | 1,310,000 | - | 3,496,292 | 57% |

**Notes:**

1 Represents remuneration from 21 April 2020 to 30 June 2020.
2 Represents remuneration from 1 November 2019 to 30 June 2020.
3 Represents remuneration from 1 July 2019 to 26 November 2019.
4 Represents remuneration from 12 December 2019 to 21 April 2020.
5 Represents remuneration from 21 October 2019 to 14 April 2020. Upon Mr Renwood's resignation, the Company was released of any financial liability in relation to Mr Renwood's appointment.
6 Nil remuneration due to date of appointment as Non-Executive Director being post-year end.
7 Nil remuneration due to date of appointment as Non-Executive Director being post-year end.

8 Represents remuneration from 1 July 2019 to 30 June 2020. On 13 September 2019, the Board approved a salary increase to $720,000 per annum plus minimum statutory super contribution for Mr Tsiolis, effective 1 July 2020.
9 Represents remuneration from 1 July 2019 to 30 June 2020.
10 Represents remuneration from 27 April 2020 to 30 June 2020.
11 Represents remuneration from 1 July 2019 to 3 February 2020 as Chief Technology Officer. Whilst Mr Johnston ceased to be part of the key management personnel from 3 February 2020 onwards, he continued to provide consulting services to the Company in the role of Chief Engineer and received a further $79,350 in salaries and fees and $7,538 of superannuation to 30 June 2020 which has not been included in the above table.
12 Represents remuneration from 1 July 2019 to 30 April 2020.
13 Relates to performance for the year ended 30 June 2019. No cash bonus approved for the year ended 30 June 2020.
14 These shares were awarded at the Board's discretion based on the Board's view of their respective contributions to the creation of shareholder value. The share-based payment of $1,160,000 reflects the proposed issuance of 20,000,000 shares, in satisfaction of a share bonus owing by the Company to Mr Tsiolis in relation to the financial year ended 30 June 2018 for the establishment of the China Telecom Wuxi and Jiangsu Pilot Program and Beijing IOT Lab in 2017. These shares have been accrued at year-end and are subject to shareholder approval to be sought at the upcoming Annual General Meeting of shareholders. Refer to Note 5 for further details.
15 These shares were awarded at the Board's discretion based on the Board's view of Mr Preketes' contribution to the creation of shareholder value.

| | Cash | Post-employment | Short-term benefits | Equity settled share-based payments | | | |
|---|---|---|---|---|---|---|---|
| | Salary and fees | Super-annuation | Annual Leave | Shares | Options | Total | Performance Related |
| **2019** | $ | $ | $ | $ | $ | $ | % |
| *Non-Executive Directors:* | | | | | | | |
| David O'Dowd[1] | 120,000 | - | - | - | - | 120,000 | 0% |
| Xiaowen Shi[2] | 60,000 | - | - | - | 82,763[9] | 142,763 | 0% |
| Peter Apostolopoulos[3] | 30,493 | - | - | | - | 30,493 | |
| Hualin Zhang[4] | 50,000 | - | - | 16,044[8] | - | 66,044 | 0% |
| *Executive Directors:* | | | | | | | |
| James Tsiolis[5] | 360,000 | 28,500 | - | - | - | 388,500 | 0% |
| *Other Executive KMP:* | | | | | | | |
| James Preketes[6] | 22,831 | 2,169 | 1,563 | - | 27,740[10] | 54,303 | 51% |
| James Johnston[7] | 138,000 | 13,110 | 5,191 | 30,000 | - | 186,301 | 16.10% |
| | 781,324 | 43,779 | 6,754 | 46,044 | 110,503 | 988,404 | 5.80% |

**Notes:**
1 Represents remuneration from 1 July 2018 to 30 June 2019. The fees included an accrual of additional $30,000 for Mr O'Dowd's role as the Chairman of the Audit and Risk committee on top of his normal director's fee of $90,000 per annum.
2 Represents remuneration from 3 July 2018 to 28 February 2019.
3 Represents remuneration from 1 July 2018 to 31 July 2018.
4 Represents remuneration from 28 February 2019 to 30 June 2019.
5 Represents remuneration from 1 July 2018 to 30 June 2019.
6 Represents remuneration from 3 June 2019 to 30 June 2019 as Chief Operating Officer.
7 Represents remuneration from 1 January 2019 to 30 June 2019 as Chief Technology Officer.
8 Amount relates to accrued shares as at balance date in line with Mr Zhang's remuneration package.
9 Amount relates to accrued options up until the date of Ms Shi's resignation as director on 28 February 2019 in line with her remuneration package. The options have not been issued and will not be issued as they cannot vest.
10 Amount relates to accrued options in line with his remuneration package. The options have not been issued and will not be issued as they cannot vest.

**Service agreements**
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

*Non-Executive Directors*
Remuneration of Non-Executive Directors are included under an engagement agreement.

| | |
|---|---|
| Name: | Bruce Rathie |
| Details: | As a Non-Executive Director, Mr Rathie is entitled to a director's fee of $150,000 per annum, which includes compensation for his role as the chairman of the Audit and Risk Committee, and member of the Remuneration and Nomination Committee and the Technology Committee. Mr Rathie accepted a salary cut of 50% until 21 October 2020, during which time he is paid $75,000 per annum (pro rata for that period). |

| | |
|---|---|
| Name: | Geoff Raby AO (*Appointed 8 September 2020)* |
| Details: | As a Non-Executive Director, Mr Raby is entitled to a director's fee of $90,000 per annum. |

| | |
|---|---|
| Name: | James Stickland *(Appointed 8 September 2020)* |
| Details: | As a Non-Executive Director, Mr Stickland is entitled to a director's fee of $90,000 per annum. |

| | |
|---|---|
| Name: | Grant Thomson *(Resigned 8 September 2020)* |
| Details: | As a Non-Executive Director, Mr Thomson was entitled to a director's fee of $150,000 per annum which included compensation for his role as chairman of the Remuneration and Nomination Committee and the Technology Committee, as well as his role as member of the Audit and Risk Committee. Mr Thomson resigned as Non-Executive Director and transitioned into the role of Chief Revenue Officer on 8 September 2020 and is no longer considered a KMP of the Company. |

| | |
|---|---|
| Name: | Michael Beck *(Resigned)* |
| Details: | As a Non-Executive Director, Mr Beck was entitled to a director's fee of $144,000 per annum. |

| | |
|---|---|
| Name: | Ian Renwood *(Resigned)* |
| Details: | As a Non-Executive Director, Mr Renwood was entitled to a director's fee of $90,000 per annum. |

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

*Executive Directors*
Remuneration of Executive Directors are included under an engagement agreement.

| | |
|---|---|
| Name: | James Tsiolis |
| Details: | As an Executive Director and Chief Executive Officer, Mr Tsiolis is paid $720,000 per annum plus statutory superannuation and is entitled to shares in the Company up to a value of 200% of base salary at the discretion of the Board. Mr Tsiolis is employed on an ongoing basis with a notice period of 3 months. Mr Tsiolis accepted a salary cut of 50% until 1 November 2020, during which time he is paid $360,000 per annum (pro rata for that period). |

| | |
|---|---|
| Name: | Hualin Zhang |
| Details: | As an Executive Director, Mr Zhang is paid $150,000 per annum. Mr Zhang is employed on an ongoing basis with a notice period of 3 months. Mr Zhang accepted a salary cut of 50% until 1 October 2020, during which time he is paid $75,000 per annum (pro rata for that period). |

*Other Key Management Personnel*

Remuneration of Other Key Management Personnel are included under an executive service agreement.

| | |
|---|---|
| Name: | Matthew Ryan |
| Details: | As Chief Financial Officer, Mr Ryan is paid a salary of $165,000 per annum including statutory superannuation, up to $20,000 cash bonus per quarter (up to $80,000 annualised) and is eligible to participate in the Netlinkz Employee Share Scheme based on performance and Board's discretion. Mr Ryan is employed on an ongoing basis with a notice period of 4 weeks. |
| Name: | James Preketes *(Resigned)* |
| Details: | As Chief Operating Officer, Mr Preketes was paid a salary of $300,000 per annum inclusive of statutory superannuation. Mr Preketes was employed on an ongoing basis with a notice period of 6 months. |
| Name: | James Johnston (*Ceased to be KMP on 3 February 2020*) |
| Details: | As Chief Technology Officer, Mr Johnston was paid a salary of $276,000 per annum excluding statutory superannuation plus an annual incentive amount equivalent to 100% of Annual base salary paid subject to performance and Board's discretion. Mr Johnston stepped down as Chief Technology Officer on 3 February 2020, to take on the role of Chief Engineer and is no longer considered a KMP of the Company. As Chief Technology Officer, Mr Johnston was employed on an ongoing basis with a notice period of 3 months. |

***Additional disclosures relating to key management personnel***

*Shareholding*
The number of shares in the Company held during the financial year by each director and key management personnel of the consolidated entity, including their personal and related parties holdings, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Additions | Disposals/other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| James Tsiolis | 57,647,025 | - | 8,023,513 | - | 65,670,538 |
| Hualin Zhang | - | - | - | - | - |
| Bruce Rathie[1] | - | - | - | - | - |
| Geoff Raby[3] | - | - | - | - | - |
| James Stickland[3] | - | - | - | - | - |
| Grant Thomson[1] | - | - | - | - | - |
| James Johnston[2] | 1,178,264 | - | - | - | 1,178,264 |
| Matthew Ryan[1] | - | - | - | - | - |
| David O'Dowd[2] | 9,048,845 | - | - | - | 9,048,845 |
| James Preketes[2] | 505,739 | 1,153,846 | 3,772,462 | (1,068) | 5,430,979 |
| Ian Renwood[1,2] | - | - | - | - | - |
| Michael Beck[1,2] | 468,866 | - | 533,000 | - | 1,001,866 |
| | 68,848,739 | 1,153,846 | 12,328,975 | (1,068) | 82,330,492 |

[1] Balance at the start of the year represents balance as at appointment date.
[2] Balance at the end of the year represents balance as at resignation date.
[3] Appointed after 30 June 2020.

| | Balance at the start of the year | Received as part of remuneration | Additions | Lapsed/ Exercised | Balance at the end of the year |
|---|---|---|---|---|---|
| *Options* | | | | | |
| James Tsiolis | 42,911,013 | - | - | (6,911,013)[4] | 36,000,000 |
| Hualin Zhang | - | - | - | - | - |
| Bruce Rathie[1] | - | - | - | - | - |
| Geoff Raby[3] | - | - | - | - | - |
| James Stickland[3] | - | - | - | - | - |
| Grant Thomson[1] | - | - | - | - | - |
| James Johnston[2] | - | - | - | - | - |
| Matthew Ryan[1] | - | - | - | - | - |
| David O'Dowd[2] | 10,000,000 | - | - | - | 10,000,000 |
| James Preketes[2] | - | - | - | - | - |
| Ian Renwood[1,2] | - | - | - | - | - |
| Michael Beck[1,2] | - | - | - | - | - |
| | 52,911,013 | - | - | (6,911,013) | 46,000,000[5] |

[1] Balance at the start of the year represents balance as at appointment date.
[2] Balance at the end of the year represents balance as at resignation date.
[3] Appointed after 30 June 2020.
[4] Of these options, all 6,911,013 were exercised.
[5] All options are vested and exercisable.

*Option holding*
During the financial year the Company issued 6,911,013 ordinary fully paid shares on the exercise of options to directors or key management personnel (all of which were to, or to entities related to, Mr James Tsiolis). As at 30 June 2020 the above are unissued ordinary shares under option held by directors or key management personnel, executives or service providers.

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

| Grant date | Vesting and exercise date | Expiry date | Exercise price | Value per option at grant date | % Vested | # held by James Tsiolis | # held by David O'Dowd |
|---|---|---|---|---|---|---|---|
| 30/12/2016 | 30/12/2016 | 1/08/2020 | $0.045 | $0.008 | 100% | 20,000,000[1] | - |
| 30/12/2016 | 30/12/2016 | 1/08/2020 | $0.060 | $0.007 | 100% | 2,500,000[1] | - |
| 30/12/2016 | 30/12/2016 | 1/08/2020 | $0.120 | $0.005 | 100% | 2,500,000[2] | - |
| 30/12/2016 | 30/12/2016 | 1/08/2020 | $0.300 | $0.002 | 100% | 5,000,000[2] | - |
| 2/07/2018 | 2/07/2018 | 2/07/2021 | $0.045 | $0.019 | 100% | 2,250,000 | - |
| 2/07/2018 | 2/07/2018 | 2/07/2021 | $0.090 | $0.014 | 100% | 2,250,000 | - |
| 2/07/2018 | 2/07/2018 | 2/07/2021 | $0.150 | $0.011 | 100% | 1,500,000 | - |
| 2/07/2018 | 2/07/2018 | 2/07/2021 | $0.020 | $0.025 | 100% | - | 10,000,000 |
| | | | | | | **36,000,000** | **10,000,000** |

[1] Options exercised post year end. Refer to Change in Director's Interest Notice ASX announcement dated 11 August 2020.
[2] Options expired post year end. Refer to Change in Director's Interest Notice ASX announcement dated 11 August 2020.

*Other transactions with key management personnel and their related parties*
A number of directors of the Company, or their director-related entities, held positions in other entities during the financial year that result in them having control or significant influence over the financial or operating policies of those entities.

The terms and conditions of the transactions with directors and their director related entities were no more favourable to the directors and their director related entities than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year (excluding reimbursement of expenses incurred on behalf of the Company) relating to directors and their director-related entities were as follows:

*Corporate advisory fees, and capital raising:*
During the year, $66,000 was accrued for credit line fees provided by Alpha First Pty Ltd (of which Mr James Tsiolis is a Director).

*Consulting services*
During the year, Mr Michael Beck provided consulting services and was paid $13,000 before being appointed as a Director.

*Payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | **Consolidated** | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Strategic Capital Management Ltd | - | 75,253 |

***This concludes the remuneration report, which has been audited.***

**Shares under option**
As at 28 September 2020, unissued shares under option outstanding are as follows:

| Grant date | Issue date | No. of shares under options | Exercise price | Expiry date |
|---|---|---|---|---|
| 9/02/2017 | 9/02/2017 | 3,300,000 | $0.060 | 1/01/2021 |
| 9/02/2017 | 9/02/2017 | 3,300,000 | $0.120 | 1/01/2021 |
| 9/02/2017 | 9/02/2017 | 3,400,000 | $0.240 | 1/01/2021 |
| 9/02/2017 | 9/02/2017 | 2,000,000 | $0.120 | 1/10/2021 |
| 9/02/2017 | 9/02/2017 | 2,000,000 | $0.060 | 1/10/2021 |
| 9/02/2017 | 9/02/2017 | 2,000,000 | $0.240 | 1/10/2021 |
| 9/02/2017 | 9/02/2017 | 2,000,000 | $0.360 | 1/10/2021 |
| 6/06/2018 | 2/07/2018 | 6,000,000 | $0.020 | 2/07/2021 |
| 6/06/2018 | 2/07/2018 | 20,000,000 | $0.020 | 2/07/2021 |
| 6/06/2018 | 2/07/2018 | 2,250,000 | $0.045 | 2/07/2021 |
| 6/06/2018 | 2/07/2018 | 6,250,000 | $0.090 | 2/07/2021 |
| 6/06/2018 | 2/07/2018 | 5,000,000 | $0.150 | 2/07/2021 |
| 4/11/2015 | 4/11/2015 | 267,379 | $0.187 | 3/11/2020 |
| 14/02/2020 | 14/02/2020 | 1,125,000 | $0.130 | 18/02/2023 |
| 21/12/2018 | 21/12/2018 | 25,000,000 | $0.020 | 21/12/2021 |
| 24/12/2019 | 24/12/2019 | 10,000,000 | $0.200 | 24/12/2022 |
| 31/01/2019 | 31/01/2019 | 19,800,000 | $0.037 | 31/01/2022 |
| 11/02/2020 | 11/02/2020 | 2,604,279 | $0.045 | 31/10/2020 |
| 24/09/2020 | 24/09/2020 | 5,000,000 | $0.060 | 24/09/2022 |
| 24/09/2020 | 24/09/2020 | 83,634,229 | $0.100 | 24/09/2022 |
| 24/09/2020 | 24/09/2020 | 2,500,000 | $0.160 | 24/09/2023 |
| 25/09/2020 | 25/09/2020 | 17,366,875 | $0.100 | 25/09/2022 |
| 28/09/2020 | 28/09/2020 | 3,703,680 | $0.100 | 28/09/2022 |
| **Total** | | **228,501,442** | | |

**Indemnity and insurance of officers**
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Proceedings on behalf of the Company**
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Non-audit services**
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are nil.

Officers of the Company who are former partners of BDO Audit (WA) Pty Ltd:
There are no officers of the Company who are former partners of BDO Audit (WA) Pty Ltd.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

**Auditor**
BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

James Tsiolis
Director

29 September 2020

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF NETLINKZ LIMITED

As lead auditor of Netlinkz Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Netlinkz Limited and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 29 September 2020

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent a firms. Liability limited by a scheme approved under Professional Standards Legislation.

## Netlinkz Limited
## Consolidated statement of profit or loss and other comprehensive income
## For the year ended 30 June 2020

| | | Consolidated | |
|---|---|---|---|
| **Continuing operations** | **Note** | **2020** | **2019** |
| | | **$** | **$** |
| **Revenue** | 4 | 5,253,284 | 555,500 |
| Other Income | 4 | 1,011,934 | 1,109,936 |
| | | | |
| **Expenses** | | | |
| Business development, marketing, travel and accommodation expenses | | (1,876,009) | (3,883,988) |
| Admin, office and corporate expenses | | (7,905,560) | (1,564,355) |
| Development and commercialisation expenses | | (3,546,639) | (513,565) |
| Selling, design, implementation and hardware costs | 5(a) | (3,434,979) | - |
| Finance restructuring costs | 5(b) | (5,204,865) | (1,388,738) |
| Employee share based payment expenses (shares and options) | 5(c) | (852,051) | (1,563,028) |
| Other share based payment expenses (shares and options) | 5(d) | (832,609) | (4,566,677) |
| Net fair value loss on debt settlement | 5(e) | (3,662,677) | (6,489,065) |
| Net fair value loss on convertible notes | 5(f) | (3,517,667) | - |
| Foreign exchange loss | | (10,334) | (205,311) |
| | | (30,843,390) | (20,174,727) |
| | | | |
| (Loss) before income tax expense | | (24,578,172) | (18,509,291) |
| Income tax (expense)/benefit | 6 | 603,900 | - |
| **(Loss) after income tax expense for the year** | | **(23,974,272)** | **(18,509,291)** |
| | | | |
| **Other comprehensive income** | | | |
| *Items that will be reclassified to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | (306,632) | - |
| Other comprehensive income (loss) for the year, net of tax | | (306,632) | - |
| **Total comprehensive loss for the year** | | (24,280,904) | (18,509,291) |
| | | | |
| *Loss for the year is attributable to:* | | | |
| Members of the parent entity | | (23,957,946) | - |
| Non-controlling interests | | (16,326) | - |
| | | (23,974,272) | (18,509,291) |
| | | | |
| *Total comprehensive loss for the year is attributable to:* | | | |
| Members of the parent entity | | (24,245,383) | (18,509,291) |
| Non-controlling interests | | (35,521) | - |
| | | (24,280,904) | (18,509,291) |
| | | | |
| **(Loss) per share from continuing operations** | | **$** | **$** |
| Basic earnings/(loss) per share | 20 | (0.0131) | (0.0133) |
| Diluted earnings per/(loss) share | 20 | (0.0131) | (0.0133) |

*The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Netlinkz Limited**
**Consolidated statement of financial position**
**As at 30 June 2020**

| | Note | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 1,439,935 | 2,399,243 |
| Trade and other receivables | 8 | 589,552 | 1,341,127 |
| Other assets | 8 | 4,837,695 | 2,587,000 |
| Total current assets | | 6,867,182 | 6,327,370 |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | 93 | - |
| Investments | | 100,000 | - |
| Right of use asset | | 249,878 | - |
| Intangible assets | 9 | 4,120,936 | - |
| Goodwill | 9 | 9,381,815 | - |
| Total non-current assets | | 13,852,722 | - |
| | | | |
| **Total assets** | | 20,719,904 | 6,327,370 |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 10 | 2,163,193 | 1,892,220 |
| Employee benefits | 11 | 152,311 | - |
| Borrowings | 12 | 14,139,982 | 7,021,106 |
| Other current liabilities | 13(a) | 3,458,174 | 2,798,750 |
| Total current liabilities | | 19,913,660 | 11,712,076 |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | 12 | - | - |
| Other non-current liabilities | 13(b) | 95,090 | - |
| Total non-current liabilities | | 95,090 | - |
| | | | |
| **Total liabilities** | | 20,008,750 | 11,712,076 |
| | | | |
| **Net assets/(liabilities)** | | **711,155** | **(5,384,706)** |
| | | | |
| **EQUITY** | | | |
| Issued capital | 14 | 79,736,988 | 51,233,366 |
| Reserves | 15 | 8,915,364 | 7,762,063 |
| Accumulated losses | 16 | (88,338,081) | (64,380,135) |
| Capital and reserves attributable to members of the parent entity | | 314,272 | (5,384,706) |
| Non-controlling interests | 17 | 396,883 | - |
| **Total equity / (deficiency)** | | **711,155** | **(5,384,706)** |

*The consolidated statement of financial position should be read in conjunction with the accompanying notes*

**Netlinkz Limited**
**Consolidated statement of changes in equity**
**For the year ended 30 June 2020**

| | | Attributable to owners of Netlinkz Limited | | | | | |
|---|---|---|---|---|---|---|---|
| | **Notes** | **Issued capital** | **Reserves** | **Accumulated losses** | **Total equity** | **Non-controlling interest** | **Total equity** |
| **Consolidated** | | **$** | **$** | **$** | **$** | **$** | **$** |
| *Year ended 30 June 2019* | | | | | | | |
| Balance at 1 July 2018 | | 34,462,142 | 4,856,700 | (45,870,845) | (6,552,003) | - | (6,552,003) |
| Loss for the year | | - | - | (18,509,290) | (18,509,290) | - | (18,509,290) |
| Total comprehensive loss for the year | | - | - | (18,509,290) | (18,509,290) | - | (18,509,290) |
| ***Transactions with owners in their capacity as owners:*** | | | | | | | |
| Share issue | 14 | 16,864,403 | - | - | 16,864,403 | - | 16,864,403 |
| Share based payments | | - | 2,905,363 | - | 2,905,363 | - | 2,905,363 |
| Capital raising costs | 14 | (93,179) | - | - | (93,179) | - | (93,179) |
| **Balance at 30 June 2019** | | **51,233,366** | **7,762,063** | **(64,380,135)** | **(5,384,706)** | **-** | **(5,384,706)** |

| | | Attributable to owners of Netlinkz Limited | | | | | |
|---|---|---|---|---|---|---|---|
| | | **Issued capital** | **Reserves** | **Accumulated losses** | **Total equity** | **Non-controlling interest** | **Total equity** |
| **Consolidated** | | **$** | **$** | **$** | **$** | **$** | **$** |
| *Year ended 30 June 2020* | | | | | | | |
| Balance at 1 July 2019 | | 51,233,366 | 7,762,063 | (64,380,135) | (5,384,706) | - | (5,384,706) |
| Loss for the year | | - | - | (23,957,946) | (23,957,946) | (16,326) | (23,974,272) |
| Other comprehensive income | | - | (287,437) | - | (287,437) | (19,195) | (306,632) |
| Total comprehensive loss for the year | | - | (287,437) | (23,957,946) | (24,245,383) | (35,521) | (24,280,904) |
| ***Transactions with owners in their capacity as owners:*** | | | | | | | |
| Share issue | 14 | 30,587,282 | - | - | 30,587,282 | - | 30,587,282 |
| Share based payments | | - | 1,440,738 | - | 1,440,738 | - | 1,440,738 |
| Capital raising costs | 14 | (2,083,659) | - | - | (2,083,659) | - | (2,083,659) |
| Capital contribution from non-controlling interests | | - | - | - | - | 432,404 | 432,404 |
| **Balance at 30 June 2020** | | **79,736,988** | **8,915,364** | **(88,338,081)** | **314,272** | **396,883** | **711,155** |

*The consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

| | Note | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 5,542,293 | 357,669 |
| Payments to suppliers and employees | | (15,056,008) | (7,413,166) |
| Grants received | | 993,345 | - |
| Tax refund/(paid) | | 33,853 | 1,082,039 |
| Interest received | | 11,339 | 2,087 |
| Interest paid | | (412,978) | (955,180) |
| **Net cashflows from/(used in) operating activities** | 19 | **(8,888,157)** | **(6,926,551)** |
| | | | |
| **Cash flows from investing activities** | | | |
| Payment to funds held in trust | | (2,040,000) | - |
| Investment in Cello Pty Ltd | | (100,000) | - |
| Acquisition of SSI (Net of cash) | 18 | (7,725,131) | (2,587,000) |
| Acquisition of AOFA (Net of cash) | 18 | (508,787) | - |
| Investment in low-risk at-call financial assets (FVTPL) | | (2,683,264) | - |
| Transfer from fixed deposit | | 750,000 | (750,000) |
| Payment for software development costs | | (2,018,336) | - |
| **Net cashflows from/(used in) investing activities** | | **(14,325,517)** | **(3,337,000)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 12,749,369 | 6,155,739 |
| Capital contribution from non-controlling interest | | 413,209 | - |
| Proceeds from exercise of options - shares yet to be issued | | 157,500 | - |
| Share issue transaction costs | | (758,233) | (54,732) |
| Proceeds from borrowings | | 14,619,486 | 6,592,936 |
| Payments of borrowings | | (4,492,155) | (77,580) |
| Lease payments | | (137,038) | - |
| **Net cashflows from/(used in) financing activities** | | **22,552,138** | **12,616,363** |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | (661,537) | 2,352,812 |
| Effect of foreign exchange movements on cash | | (297,771) | - |
| Cash and cash equivalents at the beginning of the financial year | | 2,399,243 | 46,431 |
| Cash and cash equivalents at the end of the financial year | 7 | 1,439,935 | 2,399,243 |

*The consolidated statement of cash flows*
*should be read in conjunction with the accompanying notes*

## Note 1. Significant accounting policies

**General information**
The financial statements cover Netlinkz Limited as a consolidated entity consisting of Netlinkz Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Netlinkz Limited's functional and presentation currency.

Netlinkz Limited (ASX:NET) is a listed public company limited by shares, incorporated and domiciled in Australia.

**Basis of preparation**
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost basis, except for the following:
- Certain financial assets and liabilities measured at fair value.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The following changes in accounting policies, estimation methods and measurement bases have occurred since the last annual financial statements:

**New, revised or amending Accounting Standards and Interpretations adopted**
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

*AASB 16 Leases*
The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

*Interpretation 23 Uncertainty Over Income Tax Treatments*
The interpretation outlines recognition and measurement requirements of AASB 112 Income Taxes and how these requirements should be applied when there is uncertainty over income tax treatments, having no material impact on the Group.

**Going concern**
These financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a total comprehensive loss of $24,280,904, had net cash outflows from operating activities of $8,888,157 and working capital deficiency of $13,046,477. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that there are reasonable grounds to believe that the Company and the Group will continue as a going concern, after consideration of the following factors:

- The Group is starting to demonstrate significant revenue growth (+846% in FY2020 versus FY2019).
- As at 29 September 2020, the Company had completed the issue of 13,960,644 Convertible Notes, to raise $4,995,000 in cash, and settle $6,313,125 of existing debt. Refer to Note 28. Events after the reporting date and the ASX announcements dated 25 September 2020 and 29 September 2020 for more information.
- As at the date of this Report, there are 228.5 million unlisted options on issue, the exercise of which may provide additional funding to the Company (although no forecast is made of whether any options will be exercised into shares).
- Subject to shareholder approval, or its available issue capacity pursuant to ASX Listing Rule 7.1, the Company has the ability to issue additional equity under the Corporations Act 2001 to raise further working capital and has a track record for being able to do so in the past, as evidenced by the two successful share placements ($4.0 million and $4.5 million) completed during the financial year ended 30 June 2020.
- The business is capable of raising additional debt financing against its assets and has an existing facility with Akuna Finance Pty Limited.
- The Board receives consolidated profit and loss, balance sheet and cash flow statements on a monthly basis. The directors regularly monitor the Group's cash position and consider a number of strategic initiatives to ensure that adequate funding continues to be available.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

**Parent entity information**
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

**Principles of consolidation**
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Netlinkz Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Netlinkz Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

**Foreign currency translation**
The financial statements are presented in Australian dollars, which is Netlinkz Limited's functional and presentation currency.

*Foreign currency transactions*
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

*Foreign operations*
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

**Income tax**
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Netlinkz Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

**Current and non-current classification**
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

**Trade and other receivables**
The Group makes use of the simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

Other receivables are recognized at amortised cost, less any allowance for expected credit losses.

**Property, plant and equipment**
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

| | |
|---|---|
| Plant and equipment | 2-7 years |

**Operating segments**
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Revenue recognition**
The consolidated entity recognises revenue as follows:

*Software & licensing revenue*
The Group generates revenue from the sale, licensing and support of network security solutions. Software and support is sold both directly to large customers and via partners/resellers. Customers enter either monthly, quarterly or annual licensing arrangements and revenue is recognised over the corresponding license/support period. The Group recognises revenue from resellers at the point where it is highly probable that a significant reversal in the amount of revenue recognised will not occur. Some customer sites are deployed on network appliances that are invoiced up-front. Resellers are typically responsible for level 1 and 2 technical support of the solution, in addition to updates and maintenance as per the licensing.

*Consulting, design and implementation services*
The Group provides secure networking consulting services to its resellers, partners and customers. Revenue from providing these services is recognised in the accounting period in which the services are rendered.

*Revenue from contracts with customers*
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

*Rendering of services*
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Grant revenue*
Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

*Contract assets and liabilities*
Contract assets and contract liabilities refer to what is commonly known as 'unbilled or accrued revenue' and 'deferred revenue'. Contract assets represent receivables in respect of the Group's right to consideration when that right is condition on something other than the passage of time (for example, the entity's future performance). Contract liabilities arise where payment is received prior to work being performed. Contract assets and contract liabilities are recognised and measured in accordance with this accounting policy.

**Investments and other financial assets**
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

*Financial assets at fair value through profit or loss*
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Financial assets at fair value through other comprehensive income*
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

*Impairment of financial assets*
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

**Right-of-use assets**
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the

commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Intangible assets**
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The amortisation method and useful lives of finite life intangible assets are reviewed annually.
Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*Research and development*
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

*Patents and trademarks*
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

*Customer contracts*
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7.5 years.

*Software*
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

**Impairment of non-financial assets**
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Trade and other payables**
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Borrowings**
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on basis of fair value until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes and gain/loss on fair value are expensed to profit or loss.

**Lease liabilities**
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Borrowing costs**
Borrowing costs attributable to qualifying assets are capitalised as part of the asset. All other borrowing costs are expensed in the period in which they are incurred.

**Provisions and contingencies**
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Contingent assets and contingent liabilities are not recognised unless the contingent liability is acquired as part of a business combination.

**Employee benefits**
*Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Superannuation expense and other post-employment benefits*
Australian employees may nominate their own superannuation fund into which the Company pays superannuation contributions. The Company currently contributes 9.5% of employee's salary to each employee's nominated fund or where a fund is not nominated by an employee, to a superannuation fund chosen by the Company. In addition, the Company pays pension contributions to foreign employees hired in their respective countries.

**Share Based Payments**
Equity-settled share-based compensation benefits are provided to employees, key management personnel and consultants.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

*Issued capital*
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*Collateral Shares*
Collateral shares are shares in the Company that are held by the Company's convertible notes holders as security for purpose of the agreed funding facilities. These shares are treated as treasury shares until they are fully paid for.

*Dividends*
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

**Fair Value Measurement**
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Business combinations**
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

*Contingent liabilities recognised in a business combination*
A contingent liability recognised in a business combination is initially measures at its fair value. Subsequently, it is measures at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

**Earnings per share**
*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to the owners of Netlinkz Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax (GST) and other similar taxes**
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*Conceptual Framework for Financial Reporting (Conceptual Framework)*
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

| | | |
|---|---|---|
| AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material [AASB 101 and AASB 108] | The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.<br>In particular, the amendments clarify:<br>• that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and<br>• the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need. | 1 January 2020 |

## Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Share Based Payments*
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options with non-market conditions is determined by an internal valuation using a Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value of shares is determined by the market price of the Company's shares at the date of grant. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Impairment testing*
The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs of disposal. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and intangible assets.

The asset impairment assessment requires management judgement with respect to an estimate of the recoverable amount of the cash-generating units using a discounted cash flow methodology. This calculation uses cash flow projections based on operating budgets and strategic business plans, after which a terminal value is applied, based on management's view of the expected long-term growth profile of the business. The determination of cash flows over the life of an asset requires management judgement in assessing the future number of customers, the number of branches and active devices, data usage, potential price changes as well as any changes to the costs of the product and other operating costs incurred by the Group. The implied pre-tax discount rate is calculated with reference to long-term government bond rates, external analyst views and the Group's pre-tax cost of debt.

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill and indefinite life intangible assets are tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of economic factors.

*Allocation of goodwill to cash-generating units*
Management allocates goodwill acquired in a business combination to cash-generating units (CGUSs) or a group of cash-generating units in a non-arbitrary way which is expected to benefit from the synergies of the combination.

*Fair value of convertible notes at fair value through profit and loss (FVTPL)*
The fair value is estimated using a net present valuation calculation using a discount rate derived from instruments with similar maturity and credit rating.

*Impact of COVID-19*
The Group has specifically further reviewed the following accounting estimates in response to COVID-19:

- Impairment of goodwill and intangible assets: The Group performed impairment testing on the CGUs. The recoverable amount of the CGUs are based on value-in-use calculations, using cash flow projections based on forecast operating results or fair value less costs of disposal (such as earnings multiples) whichever is higher. The recoverable amount of each CGU exceeded its carrying amount and there were no further impairment indicators.

## Note 3. Operating segments

*Identification of reportable operating segments*
Given the recent acquisitions and appointment of new directors, the consolidated entity is reorganised into two operating segments based on differences in geography: Australia & New Zealand and International of which China is the first material country starting operations to develop and sell product. Each country has a management team to oversee the local operations and undertakes local research and development, including source code specific to that country and/or region. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews monthly management and financial reports, including EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

*Types of products and services*
The principal products and services of each of these operating segments are as follows:

| | |
|---|---|
| Consulting, design & implementation services | the design and execution of secure network migration and deployment services. |
| Software & licensing revenue | the sale, licensing and support of software. |

*Intersegment transactions*
No intersegment transactions occurred during the period.

*Intersegment receivables, payables and loans*
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

*Operating segment information*

| For the period ended 30 June 2020 | Australia & New Zealand | China | Unallocated/ Corporate | Netlinkz Group |
|---|---|---|---|---|
| **EBITDA** | **$** | **$** | **$** | **$** |
| Revenue | 1,250,071 | 4,003,214 | - | 5,253,284 |
| Other income | 19,175 | - | 992,759 | 1,011,934 |
| Total revenue | 1,269,246 | 4,003,214 | 992,759 | 6,265,219 |
| Selling, design, implementation and hardware expenses | (98,608) | (3,336,372) | - | (3,434,979) |
| Employees share based expenses (shares and options) | - | - | (852,051) | (852,051) |
| Other share based expenses (shares and options) | - | - | (832,609) | (832,609) |
| Net fair value gain/(loss) on debt settlement | - | - | (3,662,677) | (3,662,677) |
| Net fair value gain/(loss) on convertible note | - | - | (3,517,667) | (3,517,667) |
| Foreign exchange movements | (2,489) | - | (7,845) | (10,334) |
| Other operating expenses | (713,519) | (94,906) | (12,243,132) | (13,051,556) |
| **Total EBITDA** | **454,630** | **571,936** | **(20,123,221)** | **(19,096,655)** |
| Depreciation and amortisation | (28,729) | - | (247,923) | (276,652) |
| Finance and restructuring costs | (9,265) | 11,577 | (5,207,177) | (5,204,865) |
| **Loss before income tax from continuing operations** | **416,636** | **583,513** | **(25,578,321)** | **(24,578,172)** |

| For the period ended 30 June 2019 (Restated) | Australia & New Zealand | China | Unallocated/ Corporate | Netlinkz Group |
|---|---|---|---|---|
| **EBITDA** | **$** | **$** | **$** | **$** |
| Revenue | - | 555,500[1] | - | 555,500 |
| Other income | - | - | 1,109,936 | 1,109,936 |
| Total revenue | - | 555,500 | 1,109,936 | 1,665,436 |
| Selling, design, implementation and hardware expenses | - | - | - | - |
| Employees share based expenses (shares and options) | - | - | (1,563,028) | (1,563,028) |
| Other share based expenses (shares and options) | - | - | (4,566,677) | (4,566,677) |
| Net fair value gain/(loss) on debt settlement | - | - | (6,489,065) | (6,489,065) |
| Net fair value gain/(loss) on convertible note | - | - | - | - |
| Foreign exchange movements | - | - | (205,311) | (205,311) |
| Other operating expenses | - | - | (5,937,523) | (5,937,523) |
| **Total EBITDA** | **-** | **555,500** | **(17,651,668)** | **(17,096,168)** |
| Depreciation and amortisation | - | - | (24,385) | (24,385) |
| Finance and restructuring costs | - | - | (1,388,738) | (1,388,738) |
| **Profit before income tax from continuing operations** | **-** | **555,500** | **(19,064,791)** | **(18,509,291)** |

[1] Reflects commission income received from resellers from China.

| As at 30 June 2020 | Australia & New Zealand | China | Unallocated/ Corporate | Netlinkz Group |
|---|---|---|---|---|
| **Summarised balance sheet** | **$** | **$** | **$** | **$** |
| Current assets | 208,030 | 3,550,258 | 3,108,894 | 6,867,182 |
| Current liabilities | (651,696) | (10,795) | (19,251,168) | (19,913,659) |
| Current net assets | (443,664) | 3,539,463 | (16,142,274) | (13,046,477) |
| | | | | |
| Non-current assets | 8,487,176 | 3,073,329 | 2,292,217 | 13,852,722 |
| Non-current liabilities | - | - | (95,090) | (95,090) |
| Non-current net assets | 8,487,176 | 3,073,329 | 2,197,127 | 13,757,632 |
| | | | | |
| **Net assets** | **8,043,510** | **6,612,792** | **(13,945,147)** | **711,155** |

| As at 30 June 2019 (Restated) | Australia & New Zealand | China | Unallocated/ Corporate | Netlinkz Group |
|---|---|---|---|---|
| **Summarised balance sheet** | **$** | **$** | **$** | **$** |
| Current assets | - | - | 6,327,370 | 6,327,370 |
| Current liabilities | - | - | (11,712,076) | (11,712,076) |
| Current net assets | - | - | (5,384,706) | (5,384,706) |
| | | | | |
| Non-current assets | - | - | - | - |
| Non-current liabilities | - | - | - | - |
| Non-current net assets | - | - | - | - |
| | | | | |
| **Net assets** | **-** | **-** | **(5,384,706)** | **(5,384,706)** |

## Note 4. Revenue and other Income

### Disaggregation of revenue

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Consulting, design and implementation revenue | 3,407,684 | 400,000 |
| Software and licensing revenue | 1,845,600 | 155,500 |
| Total revenue | 5,253,284 | 555,500 |

| Other Income | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Interest | 18,590 | 2,086 |
| Rent | - | 25,811 |
| Grants and R&D Income | 894,952 | 1,082,039 |
| Government support - COVID-19 cashflow boost | 98,393 | - |
| Total other income | 1,011,934 | 1,109,936 |

| **Revenue** | *Consulting, design & implementation revenue 2020* $ | *Software and Licensing revenue 2020* $ | *Total 2020* $ |
|---|---|---|---|
| **Primary Geographical markets** | | | |
| Australia | - | 528,747 | 528,747 |
| New Zealand | - | 721,323 | 721,323 |
| China | 3,407,685 | 595,529 | 4,003,214 |
| | 3,407,685 | 1,845,600 | 5,253,284 |
| **Timing of revenue Recognition** | | | |
| Products transferred at point in time | 3,407,685 | 768,643 | 4,176,327 |
| Products and services transferred over time | - | 1,076,957 | 1,076,957 |
| | 3,407,685 | 1,845,600 | 5,253,284 |

| **Revenue** | *Consulting, design & implementation revenue 2019* $ | *Software and Licensing revenue 2019* $ | *Total 2019* $ |
|---|---|---|---|
| **Primary Geographical markets** | | | |
| China | 400,000 | 155,500 | 555,500 |
| | 400,000 | 155,500 | 555,500 |
| **Timing of revenue Recognition** | | | |
| Products transferred at point in time | - | 155,500 | 155,500 |
| Products and services transferred over time | 400,000 | - | 400,000 |
| | 400,000 | 155,500 | 555,500 |

## Note 5. Expenses

**(a) Selling, design, implementation and hardware expenses**

Direct costs associated with design, implementation and hardware costs of sales in Australia and China.

**(b) Finance restructuring costs**

Costs and facilitation fees incurred to secure financing and funding for the Group.

**(c) Employees share based payment expenses**

Incentives paid to directors and employees settled in shares or options.

**(d) Other share based payment expenses**

During the year, the Group agreed, subject to shareholder approval (subsequently obtained at the Extraordinary General Meeting of shareholders post year-end on 17 September 2020), to issue 15,000,000 shares to Systemic Pty Ltd ("Systemic") in part settlement of certain disputes which arose between the Company and Systemic in respect of a software development agreement entered into on 15 April 2020 (Refer to the ASX announcement dated 17 August 2020 for more information). On entering the settlement agreement, the shares had a fair value of $690,000, which increased to $870,000 as at 30 June 2020. The initial amount is accrued within this caption and the change in fair value is recognised in 5(e) Net fair value loss on debt settlements.

This caption also includes the fair value accrual of $142,609 for 5,000,000 options owing to BJS Robb Pty Ltd in relation to corporate and strategic advice services provided in prior years. These options were subject to shareholder approval, which was obtained post year-end at the Extraordinary General Meeting of shareholders on 17 September 2020).

**(e) Net fair value loss on debt settlements**

During the year, the Group settled outstanding debts, fees and claims using shares and options. Net fair value loss represents the difference between the fair value of instruments used for debt settlements and carrying amount of the debts, fees and claims.

**(f) Net fair value loss on convertible notes**

Changes in fair value on convertible notes between reporting periods.

**(g) Included in expenses are also the following costs:**

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Employee salary & wages expense[1] | 4,825,690 | 799,036 |
| Legal and other costs | 1,024,999 | 573,511 |
| Advisor costs relating to funding and restructuring | 314,630 | 950,937 |
| Interest paid/payable | 1,181,638 | 521,119 |
| Depreciation expense | 276,652 | 24,385 |
| Amortisation expense | 375,900 | - |
| Rental outgoings | 101,848 | 254,353 |
| Foreign exchange loss | 10,334 | 205,311 |

[1] The 2020 employee salary & wages expense includes an accrual for the proposed issuance of 20,000,000 shares, with a market value of $1,160,000 as at the last share price as at 30 June 2020, to James Tsiolis in satisfaction of a share bonus owing by the Company to Mr Tsiolis in relation to the financial year ended 30 June 2018 for the establishment of the China Telecom Wuxi and Jiangsu Pilot Program and Beijing IOT Lab in 2017. The shares were approved by the Board in November 2018, but were inadvertently omitted from the 2019 AGM, and will be issued subject to shareholder approval at the next AGM. This caption also includes a cash bonus to Mr Tsiolis relating to performance during the financial year ended 30 June 2019.

## Note 6. Income tax expense

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| *Income tax expense* | | |
| Current income tax expense | - | - |
| Deferred income tax expense | - | - |
| Total income tax expense | - | - |
| **The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:** | | |
| Accounting profit / (loss) before income tax | (24,578,172) | (18,509,290) |
| Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2019: 27.5%) | (6,758,997) | (5,090,055) |
| *Add/(less) tax effect of:* | | |
| Movement in Provision for Annual Leave | - | (38,650) |
| Non-Deductible Entertainment | - | 54,815 |
| Non-Deductible share and options expenses | 1,571,232 | 1,685,668 |
| Non-Deductible fair value loss on debt settlement | 754,043 | 1,784,493 |
| Non-assessable government grants | (265,135) | - |
| R&D | 361,403 | - |
| Foreign operations | 620,830 | - |
| Debt forgiveness | (7,342) | - |
| Penalties | 435 | - |
| Legal claims | 64,839 | - |
| | (3,658,694) | (1,603,729) |
| Unused tax losses for which no deferred tax asset has been recognised | 3,044,471 | 1,603,729 |
| Tax rate differential | 10,323 | - |
| **Income tax expense/(benefit)** | **(603,900)** | **-** |

| | 2020 | 2019 |
|---|---|---|
| **Tax losses** | | |
| Unused tax losses for which no deferred tax has been recognised – Income (Australian) | 37,056,870 | 29,637,600 |
| Unused tax losses for which no deferred tax has been recognised – Income (Foreign) | 492,357 | - |
| Unused tax losses for which no deferred tax has been recognised – Capital (Australian) | 9,596,682 | 9,546,682 |
| *Revenue losses - Australia* | | |
| Tax losses brought forward on which no DTA has been recognised | 29,637,601 | |
| Additional tax losses arising in the prior period on lodgement of the income tax return | 3,629,597 | |
| Gross tax losses arising in the current period for which no DTA is recognised | 3,789,672 | |
| | **37,056,870** | |
| *Revenue losses - Foreign* | | |
| Tax losses brought forward on which no DTA has been recognised | - | |
| Gross tax losses arising in the current period for which no DTA is recognised | 492,357 | |
| | **492,357** | |

The availability of the Australian tax losses are subject to the Company's ability to satisfy Australian Taxation Office's requirements for utilisation.

## Note 7. Current assets - Cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Cash at bank | 1,439,935 | 2,399,243 |

*Restricted cash*
The cash and cash equivalents disclosed above and in the statement of cash flows include $157,500 of cash held in trust which pertain to cash received for options exercised. The cash is not for general use until the shares have been issued in relation to the exercised options.

## Note 8. Current assets - Trade and other receivables

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Trade receivables | 107,912 | 285,000 |
| Security deposits | 21,642 | 21,313 |
| Prepayments | 459,998 | 284,814 |
| Fixed deposits | - | 750,000 |
| Trade and other receivables | 589,552 | 1,341,127 |

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Financial assets at fair value through profit or loss (FVTPL)[1] | 2,683,264 | - |
| Funds held on trust for deferred consideration of SSI Pacific Pty Ltd[2] | 2,040,000 | - |
| Other deposits[3] | - | 2,587,000 |
| Other receivable | 114,431 | - |
| Total other assets | 4,837,695 | 2,587,000 |

[1] As at 30 June 2020, the Company had invested $2,683,264 of its excess cash in low-risk at-call financial products which do not meet the technical definition of cash and cash equivalents under AASB107 Statement of Cash Flows.

[2] Refer to note 18 for an overview of the SSI Pacific Pty Ltd acquisition and consideration paid.

[3] This represents the deposit paid in May 2019 in relation to the acquisition of AoFa, refer to note 18 for more information.

## Note 9. Intangible assets

| | Goodwill | Customer contracts and relationships | Internally generated software | Total |
|---|---|---|---|---|
| **For the year ended 30 June 2020** | $ | $ | $ | $ |
| Opening net book amount | - | - | - | - |
| Additions - internal development | - | - | 2,300,836 | 2,300,836 |
| Acquisition of business (Note 18) | 9,381,815 | 2,196,000 | - | 11,577,815 |
| Amortisation charge | - | (146,400) | (229,500) | (375,900) |
| Closing net book amount | 9,381,815 | 2,049,600 | 2,071,336 | 13,502,751 |
| | | | | |
| **As at 30 June 2020** | | | | |
| Cost | 9,381,815 | 2,196,000 | 2,300,836 | 13,878,651 |
| Accumulated amortisation and impairment | - | (146,400) | (229,500) | (375,900) |
| Net book amount | 9,381,815 | 2,049,600 | 2,071,336 | 13,502,751 |

When reviewing for indicators of impairment, the Company initially considers the relationship between its market capitalisation and its book value, among other factors specific to each cash generating unit (CGU).

As the Company acquires operations and reorganises the way operations are managed, reporting structures may change, giving rise to the reassessment of CGUs and/or the allocation of goodwill to those CGUs.

The Company performed a detailed impairment review of goodwill and concluded that there was no impairment for the financial year ended 30 June 2020. At 30 June 2020, the market capitalisation of the Company was significantly higher than the Company's equity book value, further supporting that no impairment of goodwill or other assets of the CGUs is required.

For the purposes of the impairment testing, goodwill is allocated to CGUs. The carrying amount of each CGU is compared to its recoverable amount. In assessing for impairment, the Company's assets are grouped at the lowest level of separately identifiable cash inflows, which are largely independent of the cash flows from other assets or CGUs. Assets, apart from goodwill that has previously recognised impairment, are reviewed for possible reversal at the end of each reporting period.

The Company has allocated the goodwill from the acquisition of AOFA to the AOFA CGU which is included within the China segment. China is the operating segment expected to benefit from the acquisition.

The Company has allocated the goodwill from the acquisition of SSI Pacific to the SSI Pacific CGU which is included within the Australia & New Zealand segment. Australia & New Zealand is the operating segment expected to benefit from the acquisition.

The following table sets out a summary of the goodwill allocation and impairment testing assumptions:

| | China | Australia & New Zealand | Total |
|---|---|---|---|
| Goodwill allocation | $2,992,033 | $6,389,783 | $9,381,815 |
| Pre-tax discount rate[1] | N/A | 15.60% | N/A |
| Long term growth rate - 5 years[2] | N/A | 1.50% | N/A |
| Revenue growth rate[3] | N/A | Year 1: (15.9%)<br>Years 2-5: 4.1% | N/A |
| Revenue multiple | 6x | N/A | N/A |

[1] Reflects specific risks relating to the relevant segments and the countries in which they operate.
[2] This is the weighted average growth rate used to extrapolate cash flows beyond the budget period.
[3] Average annual growth rate over the two or five years forecast period based on conservative management estimate without taking into account future growth strategies.

**China**
The goodwill within the China segment only relates to the AOFA CGU. The recoverable amount of AOFA CGU has been determined based on a fair value less costs of disposal calculation using a number of inputs including cash flow projections based on two years of financial forecasts approved by senior management and revenue multiple.
The valuation is measured using inputs that are not based on observable market data. Therefore, they are considered to be level 3 within the fair value hierarchy as per AASB 13 *Fair Value Measurement*. The recoverable amount has been determined based on extrapolated revenue of the financial year ended 2020 using a revenue multiple.

**Australia & New Zealand**
The goodwill within the Australia & New Zealand segment only relates to the SSI Pacific CGU. The Company is still in the process of realising the synergies of integrating the existing operation with the wider business, so for the purpose of impairment testing conducted as at 30 June 2020, management have considered it as a standalone CGU without taking into account the potential benefits of changes in the future.

The recoverable amounts have been determined based on a value-in-use calculation using five-year post-tax cash flow projections. Whilst the impact of COVID-19 was considered as a potential impairment factor, it was concluded that it had no impact on the carrying value of Goodwill. The Company has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for SSI Pacific CGU. The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

Pre-tax discount rate: 16.3%
Average revenue growth rate from year 2 to year 4: 3.4%

Other than the above, the Company has considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amounts.

## Note 10. Current liabilities - Trade and other payables

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Trade payables and accruals | 2,163,193 | 1,892,220 |

## Note 11. Current liabilities - Employee benefits

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Employee benefits | 152,311 | - |

*Amounts not expected to be settled within the next 12 months*
The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The above amounts reflect annual leave that has accrued as at the reporting date.

## Note 12. Borrowings

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| **Current** | $ | $ |
| Related party loans | 172,556 | 374,668 |
| Borrowings - unsecured[1] | 5,248,025 | 6,646,438 |
| Convertible notes (FVTPL)[2] | 8,719,401 | - |
| | 14,139,982 | 7,021,106 |
| | | |
| **Non-current** | | |
| Borrowings | - | - |

[1] A loan of $2,900,000 owing to Jamber Investments Pty Ltd at interest of 20% per annum with a fixed maturity date of 31 July 2020. A loan of $2,098,025 owing to Akuna Finance Pty Ltd at interest of 15% per annum is repayable on demand. The remaining loans are at interest rates of between 8% and 20% per annum and are also repayable on demand.

[2] Of the liability as at 30 June 2020, $2,279,401 is to be settled in shares as part of the settlement deed entered into post year end (announced 31 July 2020) with CST Capital Pty Ltd and Lind Global Macro Fund LP in relation to the convertible note facility entered into by the Company on 24 December 2019. The settlement also requires a total cash payment of $6,440,000.

## Note 13. Other liabilities

### (a) Other current liabilities

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Shares to be issued for debt settlement | - | 2,632,054 |
| Bonus provision[1] | 1,160,000 | - |
| Deferred consideration on SSI Pacific Pty Ltd acquisition | 510,000 | - |
| Payroll tax and other statutory liabilities | 273,218 | - |
| AASB 16 Lease liability - Current | 161,594 | - |
| Capital Raising Funds in Trust | 157,500 | - |
| Options and shares to be issued to directors | 90,750 | 105,750 |
| Options and shares to be issued to creditors | 920,000 | - |
| Unearned income | 131,666 | - |
| Options to be issued for financing costs | 38,446 | 38,446 |
| Directors fee payable | 15,000 | 22,500 |
| | 3,458,174 | 2,798,750 |

1. Represents an accrual for the proposed issuance of 20,000,000 shares, with a market value of $1,160,000 as at the last share price as at 30 June 2020, to James Tsiolis in satisfaction of a share bonus owing by the Company to Mr Tsiolis in relation to the financial year ended 30 June 2018 for the establishment of the China Telecom Wuxi and Jiangsu Pilot Program and Beijing IOT Lab in 2017. The shares were approved by the Board in November 2018 and will be issued subject to shareholder approval at the next AGM.

### (b) Other non-current liabilities

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| AASB 16 Lease liability - Non-current | 95,090 | - |
| | 95,090 | - |

## Note 14. Equity – Issued capital

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | 2020 | 2020 | 2019 | 2019 |
| | Shares | $ | Shares | $ |
| Ordinary shares - fully paid | 2,017,124,162 | 79,736,988 | 1,551,621,675 | 51,233,366 |
| Issue of collateral shares[1] | 19,300,000 | - | - | - |
| Total issued capital | 2,036,424,162 | 79,736,988 | 1,551,621,675 | 51,233,366 |

[1] These collateral shares were issued on 24 December 2019 as part of the convertible notes announced to the ASX on that date.

**Movements in ordinary share capital – Year ended 30 June 2019**

| | # | $ |
|---|---|---|
| Opening balance 1 July 2018 | 1,233,665,563 | 34,462,142 |
| Issue of shares – placement | 48,460,031 | 1,502,261 |
| Issue of shares – exercise of options | 102,592,916 | 1,888,418 |
| Issue of shares – debt settlement | 133,703,165 | 11,751,724 |
| Issue of shares – services | 33,200,000 | 1,722,000 |
| | 1,551,621,675 | 51,326,545 |
| Less: Capital raising costs arising on share issues | | (93,179) |
| Closing balance 30 June 2019 | 1,551,621,675 | 51,233,366 |

**Movements in ordinary share capital – Year ended 30 June 2020**

| | Notes | # | $ |
|---|---|---|---|
| Opening balance 1 July 2019 | | 1,551,621,675 | 51,233,366 |
| Issue of shares – placement | (i) | 100,482,388 | 8,531,355 |
| Issue of shares – exercise of options | (ii) | 75,036,998 | 2,968,014 |
| Issue of shares – debt settlement | (iii) | 251,779,015 | 15,814,487 |
| Issue of shares – services | (iv) | 31,800,240 | 2,758,425 |
| Issue of shares – employee share scheme | (v) | 6,403,846 | 515,000 |
| | | 2,017,124,162 | 81,820,647 |
| Less: Capital raising costs arising on share issues | | | (2,083,659) |
| Closing balance 30 June 2020 | | 2,017,124,162 | 79,736,988 |

**(i) Share placement**
On 11 December 2019, pursuant to a placement the Company issued 30,769,231 shares at $0.1300 per share to raise $4.0 million. On 20 February 2020, pursuant to a placement the Company issued 69,713,157 shares at $0.0650 per share to raise $4.5 million. In addition to providing working capital, the share placements assisted with the acquisition of a reseller (SSI Pacific) and additional capital for China respectively.

**(ii) Exercise of options**
75,036,998 options were exercised at a weighted average exercise price of $0.0396 generating proceeds of $2,968,014. Reflected within (iii) Debt settlement is a further 31,000,000 options which were exercised during the year, with the exercise price being set off against an agreement for removal of the exclusivity clause in a facility agreement. Refer to Options section below for more information.

**(iii) Debt settlement**
251,779,015 shares with a fair value of $15,814,487 were issued pursuant to the settlement of debt.

**(iv) Provision of services**
31,800,240 shares were issued pursuant to the provision of services, primarily in relation to financing and capital raising.

**(v) Employee share scheme**
On 16 December 2019 the Company issued 6,403,846 shares under its Employee Share Scheme.

*Ordinary shares*
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*
There is no current on-market share buy-back.

*Capital risk management*
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.
In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

| **Options** | **Consolidated** | |
|---|---|---|
| | **2020** | **2019** |
| | **Options** | **Options** |
| Options | 204,671,658 | 301,979,377 |

**Unissued ordinary shares under option:**

| **Details** | **Grant date** | **No. of Options** | **Average Exercise price** |
|---|---|---|---|
| Opening balance | 1-Jul-18 | 305,772,293 | |
| Options issued with expiry date of 21 December 2021 | 21-Dec-18 | 25,000,000 | $0.0200 |
| Options issued with expiry date of 31 January 2022 | 31-Jan-19 | 83,800,000 | $0.0370 |
| Exercise of options(1) | | (102,592,916) | $0.0180 |
| Options lapsed | | (10,000,000) | |
| Closing balance | 30-Jun-19 | 301,979,377 | |
| | | | |
| Opening balance | 1-Jul-19 | 301,979,377 | |
| Options issued with expiry date of 24 December 2022 (2) | 24-Dec-19 | 10,000,000 | $0.2000 |
| Options issued with expiry date of 31 October 2020 (3) | 11-Feb-20 | 2,604,279 | $0.0450 |
| Options issued with expiry date of 18 February 2023 (4) | 14-Feb-20 | 1,125,000 | $0.1300 |
| Exercise of options(1) | | (75,036,998) | |
| Options exercised by Agreement(5) | | (31,000,000) | |
| Options lapsed | | (5,000,000) | |
| Closing balance | 30-Jun-20 | 204,671,658 | |

(1) Weighted average share price at date of option exercise during year ended 30 June 2020 was $0.201 (2019: $0.053).

(2) On 24 December 2019 the Company issued two lots of 5,000,000 unlisted options each to CST Capital Pty Ltd and Lind Global Macro Fund LP, with an expiry date of 24 December 2022 and an exercise price of $0.200.

(3) On 11 February 2020 the Company granted 2,604,279 unlisted options to subscribe for ordinary fully paid shares at an exercise price of $0.05 per share, expiring on 31 October 2020, to Goonet Pty Ltd in part settlement of a debt owed.

(4) On 14 February 2020 the Company granted 1,125,000 unlisted options to subscribe for ordinary fully paid shares at an exercise price of $0.13 per share, expiring on 18 February 2023, to Everblu Capital in part payment for lead manager services provided in respect of the February Placement.

(5) 31,000,000 of options were exercised by Gem Global Yield Fund LLC SCS as part of an agreement for removing the exclusivity clause in the original facility agreement.

For the options granted during the current period and prior period other than the free attaching options, the valuation model inputs used in the Black-Scholes model to determine the fair value at the deemed grant date, are as follows:

2020

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at issue date | Number Granted |
|---|---|---|---|---|---|---|---|---|
| 11/02/2020 | 31/10/2020 | $0.073 | $0.045 | 90% | 0% | 2.04% | $0.035 | 2,604,279 |
| 14/02/2020 | 18/02/2023 | $0.075 | $0.130 | 90% | 0% | 2.04% | $0.034 | 1,125,000 |
| 24/12/2019 | 24/12/2022 | $0.130 | $0.200 | 95% | 0% | 0.88% | $0.066 | 10,000,000 |

2019

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at issue date | Number Granted |
|---|---|---|---|---|---|---|---|---|
| 21/12/2018 | 21/12/2021 | $0.036 | $0.020 | 100% | 0% | 2.25% | $0.026 | 25,000,000 |
| 31/01/2019 | 31/01/2022 | $0.032 | $0.037 | 90% | 0% | 2.04% | $0.018 | 83,800,000 |

**Share options outstanding as at the end of the year have the following expiry date and exercise price:**

| Grant date | Expiry date | Exercise price | 2020 | 2019 |
|---|---|---|---|---|
| 31/12/2016 | 31/01/2020 | $0.120 | - | 2,500,000 |
| 13/02/2017 | 31/01/2020 | $0.045 | - | 188,890 |
| 13/02/2017 | 31/01/2020 | $0.300 | - | 5,000,000 |
| 6/06/2018 | 2/07/2020 | $0.010 | 39,375,000 | 47,976,451 |
| 30/12/2016 | 1/08/2020 | $0.045 | 31,500,000 | 41,000,000 |
| 30/12/2016 | 1/08/2020 | $0.060 | 2,500,000 | 5,000,000 |
| 30/12/2016 | 1/08/2020 | $0.120 | 5,000,000 | 5,000,000 |
| 9/02/2017 | 1/08/2020 | $0.300 | 10,000,000 | 10,000,000 |
| 11/02/2020 | 31/10/2020 | $0.045 | 2,604,279 | - |
| 4/11/2015 | 3/11/2020 | $0.187 | 267,379 | 2,139,036 |
| 9/02/2017 | 1/01/2021 | $0.120 | 3,300,000 | 3,300,000 |
| 9/02/2017 | 1/01/2021 | $0.060 | 3,300,000 | 3,300,000 |
| 9/02/2017 | 1/01/2021 | $0.240 | 3,400,000 | 3,400,000 |
| 6/06/2018 | 2/07/2021 | $0.020 | 26,000,000 | 41,625,000 |
| 6/06/2018 | 2/07/2021 | $0.045 | 2,250,000 | 2,250,000 |
| 6/06/2018 | 2/07/2021 | $0.090 | 6,250,000 | 7,500,000 |
| 6/06/2018 | 2/07/2021 | $0.150 | 5,000,000 | 5,000,000 |
| 9/02/2017 | 1/10/2021 | $0.060 | 2,000,000 | 2,000,000 |
| 9/02/2017 | 1/10/2021 | $0.120 | 2,000,000 | 2,000,000 |
| 9/02/2017 | 1/10/2021 | $0.240 | 2,000,000 | 2,000,000 |
| 9/02/2017 | 1/10/2021 | $0.360 | 2,000,000 | 2,000,000 |
| 21/12/2018 | 21/12/2021 | $0.020 | 25,000,000 | 25,000,000 |
| 31/01/2019 | 31/01/2022 | $0.037 | 19,800,000 | 83,800,000 |
| 24/12/2019 | 24/12/2022 | $0.200 | 10,000,000 | - |
| 14/02/2020 | 18/02/2023 | $0.130 | 1,125,000 | - |
| **Total** | | | **204,671,658** | **301,979,377** |

## Note 15. Equity - Reserves

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Foreign currency translation reserve | (287,437) | - |
| Share based payments and options reserve | 9,202,801 | 7,762,063 |
| Total reserves | 8,915,364 | 7,762,063 |

*Share-based payments and Options reserve*
This reserve is used to record the value of equity benefits provided for the issue of equity instruments.

## Note 16. Equity – Accumulated losses

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Accumulated losses at the beginning of the financial year | 64,380,135 | 45,870,845 |
| Loss after income tax expense for the year | 23,957,946 | 18,509,290 |
| Accumulated losses at the end of the financial year | 88,338,081 | 64,380,135 |

## Note 17. Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

| **Beijing iLinkAll Science and Technology Co** | **2020** |
|---|---|
| **Summarised balance sheet** | **$** |
| Current assets | 1,989,071 |
| Current liabilities | (4,654) |
| Current net assets | 1,984,417 |
| | |
| Non-current assets | - |
| Non-current liabilities | - |
| Non-current net assets | - |
| | |
| Net assets | 1,984,417 |
| Accumulated NCI | 396,883 |

| | **2020** |
|---|---|
| **Summarised statement of comprehensive income** | **$** |
| Revenue | 1,709,580 |
| (Loss) for the period | (81,629) |
| Other comprehensive income | - |
| Total comprehensive income | (81,629) |
| Profit allocated to NCI | (16,326) |

| | **2020** |
|---|---|
| **Summarised cash flows** | **$** |
| Cash flows from operating activities | 466,557 |
| Cash flows from investing activities | (2,078,231) |
| Cash flows from financing activities | 1,899,996 |
| Effect of movement in exchange rates on cash held | (208,640) |
| Net increase/(decrease) in cash and cash equivalents | 79,682 |

## Note 18. Business combination

### (a) Summary of acquisitions

***Acquisition of SSI***

On 6 January 2020 the Company acquired 100% of the issued share capital of reseller Security Software International (SSI) Pacific Pty Ltd. Total purchase consideration of $10,200,000 is reflected by up-front consideration of $8,160,000 (80%) and deferred consideration of $2,040,000 (20%). The deferred consideration component of the purchase consideration is payable over a two-year period, to be paid in 2 equal tranches 12 and 24 months post-acquisition (subject to service conditions and warranties). The first tranche, which is equivalent to 10% of the purchase consideration, is payable 12 months immediately after the completion date. The second tranche, which is equivalent to the remaining 10% of the purchase consideration, is payable 24 months post-completion date. The deferred consideration is accounted and accrued for as an employee expense. A further $400,000 was paid as a net debt and working capital mechanism adjustment.

The acquisition is a high quality, value accretive business that provides strategic synergies and global growth opportunities to the Company. The relationships between SSI and the Australian market will enable Netlinkz to develop an innovative combined enterprise solution that meets the security and monitoring demands of these existing clients and modern businesses around the globe.

| Details of the acquisition are as follows: | **Fair value** <br> **$** |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | 834,868 |
| Accounts receivable | 526,335 |
| Prepayments | 93,830 |
| GST | 24,830 |
| Investments | - |
| **Total current assets** | **1,479,863** |
| **Non-current assets** | |
| Office furniture & equipment | 93 |
| Software | 53,000 |
| Customer contracts and relationships | 2,196,000 |
| **Total non-current assets** | **2,249,093** |
| **Total assets** | **3,728,956** |
| **Current liabilities** | |
| Accounts payable | - |
| Payroll liabilities | 18,862 |
| Provision for tax | (37,160) |
| Unearned revenue | 973,137 |
| **Total current liabilities** | **954,839** |
| **Non-current liabilities** | |
| Deferred tax liabilities on intangbles | 603,900 |
| **Total non-current liabilities** | **603,900** |
| **Total liabilities** | **1,558,739** |
| **Net assets** | **2,170,217** |
| Net assets acquired | 2,170,217 |
| Goodwill[1] | 6,389,783 |
| Fair value of total consideration transferred at acquisition date | 8,560,000 |
| Representing: | |
| Cash | 8,560,000 |
| Shares issued | - |

[1] The goodwill is attributable to the workforce, know-how and the high profitability of the acquired business. It will not be deductible for tax purposes.

The Group has applied provisional accounting on its measurement of its purchase price allocation permitted under AASB3 Business Combinations.

*Revenue and profit contribution*
The acquired business contributed revenues of $1,269,246 and earnings before interest, tax, depreciation and amortisation of $454,630 to the Group for the period from 6 January 2020 to 30 June 2020.

If the acquisition had occurred on 1 July 2019, consolidated pro-forma revenue and earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2020 would have been $2,637,643 and $783,360 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:
- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to plant, property and equipment and intangible assets had applied from 1 July 2019, together with the consequential tax effects.

***Acquisition of AoFa***
On 3 February 2020 the Company obtained control of AoFa for consideration with a fair value of $3,137,000. AoFa is registered in Shanghai as a Wholly Foreign Owned Entity. AoFa is 80% owner of the iLinkAll joint venture with an entity nominated by iSoftStone Information and Technology (Group) Co. Limited owning the remaining 20%. iLinkAll is responsible for the sale and distribution of software products and services in China.

| Details of the acquisition are as follows: | **Fair value** |
|---|---|
| | **$** |
| **Assets** | |
| Cash and cash equivalents | 41,214 |
| Other receivables | 107,107 |
| **Total assets** | **148,321** |
| | |
| **Liabilities** | |
| Trade payables | - |
| Other payables | 47 |
| Tax payable | 3,307 |
| **Total Liabilities** | **3,354** |
| | |
| **Net assets** | **144,967** |
| | |
| Net assets acquired | 144,967 |
| Non-controlling interest acquired | - |
| Goodwill[1] | 2,992,033 |
| | |
| Fair value of total consideration transferred at acquisition date | 3,137,000 |
| Representing: | |
| Cash | 3,137,000 |
| Shares issued | - |

[1] The goodwill is attributable to the iLinkAll joint venture with iSoftStone (refer 16 December 2020 ASX announcement), workforce and high growth potential of the acquired business. It will not be deductible for tax purposes.

The Group has applied provisional accounting on its measurement of its purchase price allocation permitted under AASB3 *Business Combinations*.

*Revenue and profit contribution*
The acquired business contributed revenues of $2,962,685 and an earnings before interest, tax, depreciation and amortisation loss of $468,593 to the Group for the period from 3 February 2020 to 30 June 2020.

If the acquisition had occurred on 1 July 2019, consolidated pro-forma revenue and earnings before interest, tax, depreciation and amortisation for the year ended 30 June 2020 would also have been $2,962,685 and a loss of $468,593 respectively, due to trading commencing in February 2020.

**(b) Purchase consideration - cash outflow**

| | 2020 |
|---|---|
| Outflow of cash to acquire subsidiaries, net of cash acquired | $ |
| Cash consideration | 11,697,000 |
| Less: Balances acquired | |
| Cash | 876,082 |
| Net outflow of cash - investing activities | 10,820,918 |
| Acquisition of SSI | 7,725,131 |
| Acquisition of AOFA | 508,787 |
| Deposit paid in May 2019 in relation to acquisition of AOFA | 2,587,000 |

*Acquisition-related costs*
During the year the Group incurred acquisition-related costs of $183,662 that were not directly attributable to the issue of shares. These costs are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

There were no acquisitions in the year ended 30 June 2019 or the year ended 30 June 2018.

## Note 19. Reconciliation of loss after income tax to net cash from operating activities

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| Loss after income tax expense for the year | (23,974,272) | (18,509,290) |
| **Adjustments for non-cash transactions:** | | |
| Depreciation and amortisation | 290,244 | 555 |
| Foreign exchange differences | 10,334 | 243,157 |
| Fair value loss/(gain) on convertible note | 3,662,677 | - |
| Fair value loss/(gain) on debt settlement | 3,517,667 | 6,489,065 |
| Operating expenses paid in shares and options | 1,686,500 | 6,129,705 |
| Share based payments | 1,684,660 | - |
| Borrowing finance cost | 4,336,213 | 440,811 |
| Income tax benefit | (603,900) | - |
| Others | - | 41,497 |
| **Change in operating assets and liabilities:** | | |
| (Increase)/decrease in trade and other receivables | 639,245 | (356,717) |
| Increase/(decrease) in trade and other payables | 517,782 | (1,363,992) |
| Increase/(decrease) in unearned income | (841,471) | - |
| Increase/(decrease) in employee benefits | 152,311 | (41,342) |
| Increase/(decrease) in income tax provision | 33,853 | - |
| **Net cashflows from/(used in) operating activities** | (8,888,157) | (6,926,551) |

**Loan reconciliation**

| | Balance as at 1 July 2018 | Cash flows | Interest payable | Foreign exchange mvmt | Fair value changes | Non-cash settlement | Balance as at 30 June 2019 |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| QMAC Loan | 1,414,223 | - | 119,971 | 80,087 | - | (1,614,281) | - |
| Other related party loans | 382,966 | (40,000) | 31,702 | - | - | - | 374,668 |
| Other loans | 654,244 | - | 163,443 | 112,313 | - | (930,000) | - |
| Akuna Finance Pty Ltd | - | 1,555,356 | 91,082 | - | - | - | 1,646,438 |
| COJIM Pty Ltd | - | 2,500,000 | - | - | - | - | 2,500,000 |
| OSCF Pty Ltd | - | 2,500,000 | - | - | - | - | 2,500,000 |
| | 2,451,433 | 6,515,356 | 406,198 | 192,400 | - | (2,544,281) | 7,021,106 |

| | Balance as at 1 July 2019 | Cash flows | Interest payable | Foreign exchange mvmt | Fair value changes | Non-cash settlement | Balance as at 30 June 2020 |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| Other related party loans | 374,668 | (225,000) | 22,888 | - | - | - | 172,556 |
| Akuna Finance Pty Ltd | 1,646,438 | 2,067,155 | 196,867 | - | - | (1,812,435) | 2,098,025 |
| COJIM Pty Ltd | 2,500,000 | - | - | - | - | (2,500,000) | - |
| OSCF Pty Ltd | 2,500,000 | - | - | - | - | (2,500,000) | - |
| M Westerweller | - | (418,799) | 418,799 | - | - | - | - |
| Jamber Investments Pty Ltd | - | 2,900,000 | - | - | - | - | 2,900,000 |
| CST Capital Pty Ltd | - | 2,876,500 | - | - | 1,583,200 | - | 4,459,700 |
| Lind Global Macro Fund LP | - | 2,677,475 | - | - | 1,582,225 | - | 4,259,700 |
| J Callaway | - | 250,000 | - | - | - | - | 250,000 |
| | 7,021,106 | 10,127,331 | 638,554 | - | 3,165,425 | (6,812,435) | 14,139,981 |

## Note 20. Earnings per share

| | Consolidated 2020 $ | Consolidated 2019 $ |
|---|---|---|
| *Earnings per share for loss from continuing operations* | | |
| Loss after income tax attributable to the owners of Netlinkz Limited | (23,957,946) | (18,509,290) |

| | Consolidated 2020 | Consolidated 2019 |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic diluted earnings/(loss) per share | 1,895,351,498 | 1,389,715,143 |

| | $ | $ |
|---|---|---|
| Basic earnings/(loss) per share | (0.0131) | (0.0133) |
| Diluted earnings/(loss) per share | (0.0131) | (0.0133) |

## Note 21. Interests in material subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following material subsidiaries in accordance with the accounting policies described in note 1:

| | | Ownership interest | |
|---|---|---|---|
| | | 2020 | 2019 |
| **Name** | **Country of incorporation** | **%** | **%** |
| Netlinkz Global Services (Aust & NZ) Pty Limited | Australia | 100% | 100% |
| Netlinkz Technology Pty Ltd | Australia | 100% | 100% |
| SSI Pacific Pty Ltd | Australia | 100% | 0% |
| Netlinkz Japan K.K. | Japan | 100% | 0% |
| AoFa Software Engineering (Shanghai) Co. Ltd | China | 100% | 0% |
| Beijing iLinkAll Science and Technology Co | China | 80% | 0% |

## Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the Company, its network firms and unrelated firms:

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| *Auditors of the Group - BDO and related network firms* | | |
| Audit and review of financial statements | | |
| Group | 121,237 | 46,000 |
| Controlled entities and joint operations | 24,731 | - |
| Total audit and review of financial statements | 145,968 | 46,000 |
| | | |
| Other statutory assurance services | - | - |
| | | |
| Other assurance services | - | - |
| | | |
| Non-audit services | | |
| Taxation advice | - | - |
| Taxation compliance services | - | - |
| Consulting services | - | - |
| Total non-audit services | - | - |
| | | |
| Total services provided by BDO | 145,968 | 46,000 |

## Note 23. Commitments

Lease commitments – operating

Committed at the reporting date but not recognised as liabilities, payable:

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Within one year | - | 77,500 |
| One to five years | - | 77,500 |
| | - | 155,000 |

## Note 24. Related party transactions

*Parent entity*

Netlinkz Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 21.

*Key management personnel*

Disclosures relating to key management personnel are set out in the remuneration report in the directors' report.

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|---|---|---|
| | **2020** | **2019** |
| | **$** | **$** |
| Short-term employee benefits | 2,126,213 | 781,324 |
| Post-employment benefits | 60,079 | 43,779 |
| Short-term benefits[1] | - | 6,754 |
| Share & Option based payments | 1,310,000 | 156,547 |
| | 3,496,292 | 988,404 |

[1] Annual leave accrued and owed as at 30 June 2020

| | Consolidated | |
|---|---|---|
| *Transactions with related parties* | **2020** | **2019** |
| The following transactions occurred with related parties: | **$** | **$** |
| Corporate advisory, and capital raising services from Strategic Capital Management Ltd (Director-related entity of James Tsiolis) | - | 447,764 |
| Interest paid/payable to Strategic Capital Management Ltd | - | 131,240 |
| Credit line fees paid/payable to Alpha First Pty Ltd (Director-related entity of James Tsiolis) | 66,000 | - |
| Consulting services for Mr Michael Beck | 13,000 | - |
| Consulting services for Ms Xiaowen Shi | - | 11,000 |
| Consulting services for Mr James Johnston | - | 138,250 |
| Consulting services for Mr Peter Apostolopoulos | - | 282,258 |

| | Consolidated | |
|---|---|---|
| *Payable to related parties* | **2020** | **2019** |
| The following balances are outstanding at the reporting date in relation to transactions with related parties: | **$** | **$** |
| Strategic Capital Management Ltd (director-related entity of James Tsiolis) | - | 75,253 |

## Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

| | Parent | |
|---|---|---|
| *Statement of profit or loss and other comprehensive income* | **2020** | **2019** |
| | **$** | **$** |
| Loss after income tax | 26,686,397 | 18,576,918 |

| | Parent | |
|---|---|---|
| *Statement of financial position* | **2020** | **2019** |
| | **$** | **$** |
| Total current assets | 5,191,089 | 6,300,748 |
| Total non-current assets | 14,243,329 | - |
| Total assets | 19,434,418 | 6,300,748 |
| | | |
| Total current liabilities | 19,400,773 | 10,805,271 |
| Total non-current liabilities | - | - |
| Total liabilities | 19,400,773 | 10,805,271 |
| Equity | | |
| Issued capital | 76,954,479 | 51,233,366 |
| Option reserve | 7,193,275 | 7,762,063 |
| Share-based payment reserve | 2,009,526 | - |
| Accumulated losses | (86,123,635) | (64,380,135) |
| Total equity/(Deficiency in equity) | 33,645 | (5,384,706) |

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for plant, property and equipment as at 30 June 2020 and 30 June 2019.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for Investments in subsidiaries which are account for at cost, less any impairment, in the parent entity.

## Note 26. Financial risk management

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures but may do so as and when required. The consolidated entity uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by senior executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and mitigates financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

### Market risk

*Foreign currency risk*

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

*Price risk*

The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value risk. The consolidated entity's borrowings outstanding, totalling $5,248,025 (2019: $7,021,106), are fixed interest loans.

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

*Trade receivables and contract assets*

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2019 or 1 July 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

As at 30 June 2020, the Group has $107,912 in trade receivables. These amounts are expected to be fully collected and no expected credit loss has been provided. As at 30 June 2020, $107,912 of the trade receivable is neither past due or nor impaired.

*Credit risk exposure*

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

The Group has considered the credit rating of the financial institutions with which it is engaged and determined an acceptable level of credit risk exposure.

**Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Due to regulatory requirements and geopolitical factors, it is sometimes necessary to maintain higher levels of liquid assets in the foreign countries in which the Company has operations. In such cases, funds surplus to short term requirements are deposited in low-risk at-call financial products offered by trusted banking institutions. Often, these products do not meet the technical definition of Cash and cash equivalents under AASB107 Statement of Cash Flows and are instead disclosed as Financial assets at fair value through profit or loss (FVTPL).

*Financing arrangements*

There are no unused borrowing facilities at the reporting date.

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 2020 | Interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Total contractual cash flows $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables and accruals | -% | 2,163,193 | - | - | - | 2,163,193 |
| Convertible notes payable[1] | -% | 8,719,401 | - | - | - | 8,719,401 |
| *Interest-bearing - fixed rate* | | | | | | |
| Borrowings | 8-20% | 5,248,025 | - | - | - | 5,248,025 |
| Lease liability | 5-20% | 180,801 | 90,671 | 32,547 | - | 304,019 |
| Related party loans | 8% | 172,556 | - | - | - | 172,556 |
| Total non-derivatives | | 16,483,976 | 90,671 | 32,547 | - | 16,607,194 |

[1] Of this total, $2,279,401 is to be settled in shares.

| Consolidated - 2019 | Interest rate % | 1 year or less $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Total contractual cash flows $ |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables and accruals | -% | 1,892,220 | - | - | - | 1,892,220 |
| *Interest-bearing - fixed rate* | | | | | | |
| Borrowings | 8-15% | 7,021,106 | - | - | - | 7,021,106 |
| Related party loans | 15% | - | - | - | - | - |
| Total non-derivatives | | 8,913,326 | - | - | - | 8,913,326 |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Fair value measurement**

*Fair value hierarchy*

| Recurring fair value measurements at 30 June 2020 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at FVPL | | | | |
| Term deposit held in foreign financial institution | - | 2,683,264 | - | 2,683,264 |
| Investment in private company | - | - | 100,000 | 100,000 |
| **Total financial assets** | **-** | **2,683,264** | **100,000** | **2,783,264** |
| **Financial liabilities** | | | | |
| Convertible notes | - | - | 8,719,401 | 8,719,401 |
| **Total financial liabilities** | **-** | **-** | **8,719,401** | **8,719,401** |

There are no other assets or liabilities carried at fair value in the accounts as at 30 June 2020.

*Recognised fair value measurements*

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

For other borrowings (other loans) the fair value is not materially different to their carrying value, since the interest payable on these borrowings is close to current market rates and the borrowings are short term in nature.

## Note 27. Contingent liabilities and commitments

There are no contingent liabilities or commitments as at 30 June 2020 (30 June 2019 - $Nil).

## Note 28. Events after the reporting period

On 1 July 2020, the Company announced that it had become aware that it exceeded its capacity to issue equity securities without security holder approval under ASX listing rule 7.1 ('Issue Capacity') by 80,098,389 on 14 February 2020 due to NET not including all of the Maximum Shares in its Issue Capacity calculation and then proceeding with the February 2020 Placement. In light of the breach, NET is not permitted to seek ratification from its shareholders for the 80,098,389 securities described above, and these securities will continue to use up a portion of NET's issue capacity for a period of 12 months (until 14 February 2021). Refer to ASX announcement dated 1 July 2020 for further details.

As noted above, on 31 July 2020, the Company announced its intention to terminate the SPCSAs between the Company and each of Lind and CST. Further, the Company announced its intention to raise up to $18 million through the issuance of convertible notes to new investors, subject to shareholder approval. Refer to ASX announcement dated 31 July 2020 for further details.

Following this announcement, the voluntary suspension initiated by the Company on 19 June 2020 was lifted, and trading in the Company's securities was reinstated.

On 11 August 2020 the Company issued 73,375,000 fully paid ordinary shares upon the exercise of options.

On 17 August 2020 the Company advised that a General Meeting of the Company would be held to ratify previous share and option issuances and approve the issuance of additional securities at a meeting of shareholders to be held on 17 September 2020. Items to approve, amongst other things:

a) the issuance of securities to each of Lind and CST to give effect to the proposed termination of the SPCSAs;
b) the issuance of convertible notes to allow the Company to raise up to $18 million; and
c) the ratification of certain previous issues of securities, thereby increasing the Company's availability Issue Capacity.

Refer to the Notice of General Meeting ASX announcement dated 17 August 2020 for further details.

On 27 August 2020 the Company announced the signing of a Master Services Agreement (MSA) with digital technology services provider, Natsoft, which has an established presence in the US, India, Australia and Singapore. Natsoft has a large global blue-chip customer base and will act as a reseller of Netlinkz's VSN in India and other international markets.

On 8 September 2020 the Company announced a series of changes to the Board and Management team, including:

a) The appointment of Australia's former ambassador to China, Dr Geoff Raby AO, and senior IT executive, Mr James Stickland, as Non-Executive Directors of the Company;
b) The appointment of Mr Sandy Aitken as Chief Operating Officer;
c) The appointment of former Chief Operating Officer, Mr James Preketes, to the role of Head of Global Partnerships; and
d) The resignation of Mr Grant Thomson as a Non-Executive Director, with Mr Thomson taking a more active role in the business as Chief Revenue Officer.

Further, subject to shareholder approval at the next annual general meeting, certain Directors will be entitled to the issuance of 10 million options. Refer to the "Information on directors" subheading below for more information.

On 17 September 2020, the Company held a General Meeting of Shareholders of the Company, at which the Company sought, and obtained, shareholder approval for:

a) the ratification of certain prior issuances of equity securities in the Company;
b) the proposed issuance of shares and options to several consultants and service providers in settlement of contractual obligations due by the Company to those parties;
c) the proposed issuance of securities to each of Lind and CST to give effect to the proposed termination of the SPCSAs
d) the proposed issuance of convertible notes to allow the Company to raise up to $18 million;

as set out in the Notice of Meeting released to the ASX on 17 August 2020.

On 22 September 2020, the Company issued 15,000,000 fully paid ordinary shares to Systemic Pty Ltd, in accordance with shareholder approval which was obtained on 17 September 2020.

On 25 September 2020, the Company announced that it had received firm commitments to raise $4,995,000 (net of interest offset) by the issuance of 6,166,664 Convertible Notes and 46,249,965 free attaching Options, and had agreed to issue a further 7,793,980 Convertible Notes (and free-attaching Options) in settlement of existing debt totalling $6,313,125, pursuant to the Convertible Note Offer under the Prospectus (**Convertible Note Offer**) announced by the Company to ASX on 17 September 2020 (**Prospectus**). These securities were issued in the following tranches:

a) On 24 September 2020, the Company issued to professional and sophisticated investors:
    a. 11,151,231 Convertible Notes, each with a face value of $1 and maturity date of 12 months, or such date on or after 1 December 2020 as the holder specifies by notice to the Company; and
    b. 83,634,229 unlisted Options with an exercise price of $0.10 and an expiry date of 24 September 2022, free attaching to the Convertible Notes;
b) On 25 September 2020, the Company issued to professional and sophisticated investors:
    a. 2,315,584 Convertible Notes, each with a face value of $1 and maturity date of 12 months, or such date on or after 1 December 2020 as the holder specifies by notice to the Company; and
    b. 17,366,875 unlisted Options with an exercise price of $0.10 and an expiry date of 25 September 2022, free attaching to the Convertible Notes; and
c) On 28 September 2020, the Company issued to professional and sophisticated investors:
    a. 493,829 Convertible Notes, each with a face value of $1 and maturity date of 12 months, or such date on or after 1 December 2020 as the holder specifies by notice to the Company; and
    b. 3,703,716 unlisted Options with an exercise price of $0.10 and an expiry date of 28 September 2022, free attaching to the Convertible Notes.

In addition to the issues noted above, the Company also issued:

a) on 24 September 2020:
    a. 10,307,471 Shares in respect of lead manager fees in connection with the Convertible Note Offer;
    b. 2,500,000 unlisted Options with an exercise price of \$0.16 and expiry date of 24 September 2023 pursuant to the Tanaka Offer under the Prospectus;
    c. 5,000,000 unlisted Options with an exercise price of \$0.06 and expiry date of 24 September 2022 pursuant to the BJS Robb Offer under the Prospectus; and
    d. 10,000,000 Shares to each of Lind and CST to give effect to the proposed termination of the SPCSAs (20,000,000 Shares in aggregate);
b) on 28 September 2020, 2,615,661 Shares in respect of lead manager fees in connection with the Convertible Note Offer; and
c) on 29 September 2020, 868,659 unlisted Options pursuant to the Helicopter Offer under the Prospectus.

On 29 September 2020, the Company cancelled the convertible notes held by each of Lind and CST (as announced on 24 December 2019), and having issued all of the securities proposed to be issued under the Prospectus, advised that all offers under the Prospectus had closed.

Funds raised from the issue of the Convertible Notes on 24 September 2020 and 25 September 2020 were used to settle the Company's outstanding debt due to Lind and CST under the SPCSAs, with the termination of the SPCSAs effective 28 September 2020.

Other than as noted above, or elsewhere in this report, there have not been any other material events subsequent to the year ended 30 June 2020.

## Note 29. Changes to unaudited Preliminary Financial Report

On 1 September 2020, the consolidated entity released its unaudited preliminary financial report for the year ended 30 June 2020. Upon finalisation of the audit, additional adjustments were identified: the accrual of certain shares and options to be issued subject to shareholder approval at the 17 September 2020 EGM; and, the accrual of the remaining interest payable on the Jamber Investments facility which was technically incurred upfront.

This resulted an increase in net loss before tax from \$23,365,563 to \$24,578,172. Revenue remained unchanged.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

James Tsiolis
Director

29 September 2020

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Australia

**INDEPENDENT AUDITOR'S REPORT**

To the members of Netlinkz Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Netlinkz (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent a firms. Liability limited by a scheme approved under Professional Standards Legislation.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Accounting for the acquisition of Security Software International (SSI) Pacific Pty Ltd

| ***Key audit matter*** | ***How the matter was addressed in our audit*** |
|---|---|
| During the financial year ended 30 June 2020, the Group acquired Security Software International Pacific Pty Ltd ("SSI") as disclosed in Note 18.<br><br>Note 1 of the financial report discloses the accounting policy for business combinations.<br><br>Accounting for acquisitions is complex and involves a number of significant judgements and estimates, as disclosed in Note 2 of the financial report. The key areas of significant judgement and estimation in relation to the acquisitions were:<br><br>• Determination of the amount of purchase consideration for the acquisition, which included deferred consideration which is subject to service conditions and warranties; and<br><br>• Identification and measurement of the fair value of assets and liabilities acquired. | Our audit procedures included, but were not limited to the following:<br><br>• Reviewing the purchase and sale agreement to understand the terms and conditions of the acquisition including the consideration payable and evaluating management's application of AASB 3 Business Combinations;<br><br>• Auditing the assets and liabilities recognised on acquisition against the executed agreement and supporting documentation;<br><br>• Evaluating the assumptions and methodology used by management to determine the fair value of assets and liabilities acquired;<br><br>• Obtaining a copy of the management's external independent expert's valuation report and critically assessing the determination of fair value of the assets and liabilities;<br><br>• Assessing and evaluating the external valuation expert's experience, independence and competence;<br><br>• Assessing the identification of intangible assets acquired including software and customer contracts along with the valuation methodologies used to value those assets;<br><br>• Assessing the adequacy of the Group's disclosures relating to the acquisition in accordance with accounting standards. |

## Accounting for the acquisition of AoFa Software Engineering (Shanghai) Co. Ltd

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| During the financial year ended 30 June 2020, the Group acquired AoFa Software Engineering (Shanghai) Co. Ltd ("AoFa") as disclosed in Note 18.<br><br>Note 1 of the financial report discloses the accounting policy for business combinations.<br><br>Accounting for acquisitions is complex and involves a number of significant judgements and estimates, as disclosed in Note 2 of the financial report. The key areas of significant judgement and estimation in relation to the acquisitions were:<br><br>• Determination of the amount of purchase consideration for the acquisition; and<br><br>• Identification and measurement of the fair value of assets and liabilities acquired. | Our audit procedures included, but were not limited to the following:<br><br>• Reviewing the purchase and sale agreement to understand the terms and conditions of the acquisitions including the consideration payable and evaluating management's application of AASB 3 Business Combinations;<br><br>• Auditing the assets and liabilities recognised on acquisition against the executed agreements and supporting documentation;<br><br>• Evaluating the assumptions and methodology in management's determination of the fair value of assets and liabilities acquired which were provisionally accounted for at year end;<br><br>• Reviewing and challenging the position paper prepared by management on the flow of events and transactions that effected the acquisition and verifying the key transactions to supporting documents provided; and<br><br>• Assessing the adequacy of the Group's disclosures relating to the acquisition in accordance with accounting standards. |

## Impairment of goodwill acquired from business combinations and other intangible assets

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| The Group has goodwill which arose during the period through the business combinations as detailed in Note 18 of the financial report.<br><br>As disclosed in Note 9 of the financial report, goodwill amounted to $9,396,390 as at the reporting date. Australian Accounting Standards require an annual assessment of impairment of the goodwill intangible asset.<br><br>We further note that the Group recognised $2,071,336 of capitalised development costs as intangibles at 30 June 2020.<br><br>This is a key audit matter because the balance is material, the impairment assessment involved significant judgements by the Group about the future results of Netlinkz Limited, and the wider economies in which it operates.<br><br>As the Group is still very early in its life cycle and is still attempting to expand and establish its foothold in the cloud network solutions market, there was a high degree of estimation, complexity and uncertainty in developing the key assumptions for the impairment assessment. | Our procedures included, but were not limited to the following:<br><br>• Critically evaluating whether the models prepared by Management comply with the requirements of AASB 136 Impairment of Assets;<br><br>• Evaluating the appropriateness of Management's identification of the Group's cash generating units;<br><br>• Recalculating the mathematical accuracy of the impairment models;<br><br>• Comparing the projected cash flows, including assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of Management's projections;<br><br>• In conjunction with our valuation specialists, assessing the discount rates and revenue multiples utilised in the recoverable amount calculations;<br><br>• Applying a sensitivity analysis to Management's key assumptions; and<br><br>• Assessing the adequacy of the Group's disclosures in relation to Goodwill and Impairment. |

## Accounting of share based payments and conversion of liabilities to equity

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| During the financial period ended 30 June 2020, the Group issued options and shares to creditors, consultants and key management personnel.<br><br>Refer to Notes 5, 13 and 14.<br><br>Refer to Note 1 of the financial report for a description of the accounting policy and Note 2 for the significant estimates and judgements applied to these arrangements.<br><br>Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of the share-based payments, we consider the Group's calculation of the share-based payment expense to be a key audit matter. | Our procedures included, but were not limited to the following:<br><br>• Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements;<br><br>• Holding discussions with management to understand the share-based payment transactions in place;<br><br>• Reviewing management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation inputs;<br><br>• Involving our valuation specialists, to assess the reasonableness of management's valuation inputs in respect of risk free rates and volatility;<br><br>• Assessing the allocation of the share-based payment expense over the relevant vesting period; and<br><br>• Assessing the adequacy of the related disclosures in the financial report. |

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

## Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Netlinkz, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Glyn O'Brien

Director

Perth, 29 September 2020

The shareholder information set out below was applicable as at 31 August 2020.

## 1. Quotation

Listed securities in Netlinkz Limited are quoted on the Australian Securities Exchange under ASX code NET (fully paid ordinary shares).

## 2. Voting rights

The voting rights attached to fully paid ordinary shares of the Company (**Shares**) are set out below:

At a meeting of the Company's members, every member may vote in person, or by proxy or attorney. On a show of hands, every member has one vote, and on a poll, every member has one vote for every Share held by the member. A member who is entitled to vote at a general meeting may appoint not more than 2 proxies to attend and vote on the members behalf. Subject to the Corporations Act, if a member appoints one proxy, that proxy may vote on a show of hands. If a member appoints two proxies, neither may vote on a show of hands, and the proxies may exercise the votes specified by the member, or, failing such specification, half of the votes each.

There are no voting rights attached to any Options or Convertible Notes on issue.

## 3. Distribution of Shareholders

### (a) Fully Paid Ordinary Shares

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | 424 | 143,149 | 0.01 |
| 1,001 to 5,000 | 455 | 1,425,823 | 0.07 |
| 5,001 to 10,000 | 413 | 3,325,060 | 0.16 |
| 10,001 to 100,000 | 1,879 | 79,899,579 | 3.79 |
| 100,001 and over | 1,202 | 2,025,005,551 | 95.98 |
| **Total** | **4,373** | **2,109,799,162** | **100** |

On 31 August 2020, there were 1,019 holders of unmarketable parcels of less than 7,143 Shares (based on the closing Share price of $0.07).

### (b) NETO2 Options exercisable at $0.187, expiring 3 November 2020

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 267,379 | 100.00 |
| **Total** | **1** | **267,379** | **100.00** |

Holders who hold more than 20% of NETO2 Options are: The Australian Special Opportunity Fund LP.

(c) **NETO13 Options exercisable at $0.12, expiring 1 October 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 2,000,000 | 100.00 |
| **Total** | **1** | **2,000,000** | **100.00** |

Holders who hold more than 20% of NETO13 Options are: Singara Pty Ltd

(d) **NETO14 Options exercisable at $0.06, expiring 1 January 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 3,300,000 | 100.00 |
| **Total** | **1** | **3,300,000** | **100.00** |

Holders who hold more than 20% of NETO14 Options are: Sueheir Turk <Turmra Fmily A/C>

(e) **NETO18 Options exercisable at $0.24, expiring 1 January 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 3,400,000 | 100.00 |
| **Total** | **1** | **3,400,000** | **100.00** |

Holders who hold more than 20% of NETO18 Options are: Sueheir Turk <Turmra Fmily A/C>

(f) **NETO19 Options exercisable at $0.24, expiring 1 October 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 2,000,000 | 100.00 |
| **Total** | **1** | **2,000,000** | **100.00** |

Holders who hold more than 20% of NETO19 Options are: Singara Pty Ltd

(g) **NETO20 Options exercisable at $0.36, expiring 1 October 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 2,000,000 | 100.00 |
| **Total** | **1** | **2,000,000** | **100.00** |

Holders who hold more than 20% of NETO20 Options are: Singara Pty Ltd

(h) **NETO22 Options exercisable at $0.12, expiring 1 January 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 3,300,000 | 100.00 |
| **Total** | **1** | **3,300,000** | **100.00** |

Holders who hold more than 20% of NETO22 Options are: Sueheir Turk <Turmra Fmily A/C>

(i) **NETO23 Options exercisable at $0.06, expiring 1 October 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 2,000,000 | 100.00 |
| **Total** | **1** | **2,000,000** | **100.00** |

Holders who hold more than 20% of NETO23 Options are: Singara Pty Ltd

(j) **NETO25 Options exercisable at $0.02, expiring 2 July 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 6,000,000 | 100.00 |
| **Total** | **1** | **6,000,000** | **100.00** |

Holders who hold more than 20% of NETO25 Options are: Agora Asset Management Pty Ltd

(k) **NETO26 Options exercisable at $0.02, expiring 2 July 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 2 | 20,000,000 | 100.00 |
| **Total** | **2** | **20,000,000** | **100.00** |

Holders who hold more than 20% of NETO26 Options are: Agora Asset Management Pty Ltd (10,000,000 Options) and Mr David Patrick O'Dowd (10,000,000 Options).

(l) **NETO27 Options exercisable at $0.045, expiring 2 July 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 2,250,000 | 100.00 |
| **Total** | **1** | **2,250,000** | **100.00** |

Holders who hold more than 20% of NETO27 Options are: Strategic Capital Management Limited

(m) **NETO28 Options exercisable at $0.09, expiring 2 July 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 3 | 6,250,000 | 100.00 |
| **Total** | **3** | **6,250,000** | **100.00** |

Holders who hold more than 20% of NETO28 Options are: Strategic Capital Management Limited (2,250,000 Options), BJS Robb Pty Ltd (2,000,000 Options) and Zimbali Nominees Pty Ltd <Zimbali Family A/C> (2,000,000 Options)

(n) **NETO29 Options exercisable at $0.15, expiring 2 July 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 2 | 5,000,000 | 100.00 |
| **Total** | **2** | **5,000,000** | **100.00** |

Holders who hold more than 20% of NETO29 Options are: Peloton Capital Pty Ltd (3,500,000 Options) and Strategic Capital Management Limited (1,500,000 Options)

(o) **NETO30 Options exercisable at $0.02, expiring 21 December 2021**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 25,000,000 | 100.00 |
| **Total** | **1** | **25,000,000** | **100.00** |

Holders who hold more than 20% of NETO30 Options are Robert E Turner Jr <R E Turner Jr 2018 Grat 1 Ac>.

(p) **NETO31 Options exercisable at $0.037, expiring 31 January 2022**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 19,800,000 | 100.00 |
| **Total** | **1** | **19,800,000** | **100.00** |

Holders who hold more than 20% of NETO31 Options are Anglo Menda Pty Ltd.

(q) **NETO32 Options exercisable at $0.20, expiring 24 December 2022**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 2 | 10,000,000 | 100.00 |
| **Total** | **2** | **10,000,000** | **100.00** |

Holders who hold more than 20% of NETO32 Options are: L1 Capital Global Opportunities Master Fund (5,000,000 Options) and Lind Global Macro Fund LP (5,000,000 Options).

(r) **NETO33 Options exercisable at $0.045, expiring 31 October 2020**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 2,604,279 | 100.00 |
| **Total** | **1** | **2,604,279** | **100.00** |

Holders who hold more than 20% of NETO33 Options are Goonet Pty Ltd.

(s) **NETO34 Options exercisable at $0.13, expiring 18 February 2023**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | - | - | - |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | 1 | 1,125,000 | 100.00 |
| **Total** | **1** | **1,125,000** | **100.00** |

Holders who hold more than 20% of NETO34 Options are Jamber Investments Pty Ltd <The Amber Schwarz Fam A/C>.

(t) **Convertible Notes**

| Range | Holders | Units | % |
|---|---|---|---|
| 1 to 1,000 | 2 | 2 | 100.00 |
| 1,001 to 5,000 | - | - | - |
| 5,001 to 10,000 | - | - | - |
| 10,001 to 100,000 | - | - | - |
| 100,001 and over | - | - | - |
| **Total** | **2** | **2** | **100.00** |

Holders who hold more than 20% of Convertible Notes are: CST Capital Pty Ltd as trustee for the CST Investments Funds (1 Convertible Note) and Lind Global Macro Fund LP (1 Convertible Note).

## 4. Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities in the Company as at 31 August 2020 are listed below:

| | | Ordinary Shares | |
|---|---|---|---|
| | | Number of Shares | % |
| 1. | MAINSTREAM FUND SERVICES PTY LTD SCM ARIE FUND | 191,356,470 | 9.07 |
| 2. | SUTHERLAND FAMILY COMPANY PTY LTD <THE SWAN A/C> | 83,945,076 | 3.98 |
| 3. | REEF INVESTMENTS PTY LTD <TD NAIRN SUPER FUND 2A A/C> | 79,255,214 | 3.76 |
| 4. | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 74,145,657 | 3.51 |
| 5. | BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C> | 64,823,068 | 3.07 |
| 6. | SINGARA PTY LTD <GARGETT FAMILY A/C> | 39,569,475 | 1.88 |
| 7. | ALPHA FIRST PTY LTD | 37,825,000 | 1.79 |
| 8. | CODE NOMINEES PTY LTD <28698 A/C> | 37,730,000 | 1.79 |
| 9. | TRANS-FORMING INVESTMENTS PTY LTD <TRANS-FORMING INVESTMEN A/C> | 37,500,000 | 1.78 |
| 10. | AGORA ASSET MANAGEMENT PTY LTD | 35,850,228 | 1.70 |
| 11. | REEF INVESTMENTS PTY LTD <T D NAIRN SUPER FUND A/C> | 32,328,971 | 1.53 |
| 12. | GOONET PTY LTD | 28,833,332 | 1.37 |
| 13. | AWBEG NOMINEES PTY LTD <THE O'CONNOR FAMILY A/C> | 26,611,889 | 1.26 |
| 14. | DAJCO ENTERPRISES PTY LTD <THE MCGRANE FAMILY A/C> | 26,611,889 | 1.26 |
| 15. | BOOKER SUPER SERVICES PTY LTD <G & C BOOKER SF A/C> | 24,700,000 | 1.17 |
| 16. | COJIM INVESTMENTS PTY LTD <MGSF SUPER FUND A/C> | 22,727,272 | 1.08 |
| 17. | OCSF PTY LTD <OCSF SUPER FUND A/C> | 22,727,272 | 1.08 |
| 18. | ALPHA FIRST PTY LTD | 22,500,000 | 1.07 |
| 19. | GDM SERVICES PTY LTD <GDM SERVICES SUPER FUND A/C> | 22,190,438 | 1.05 |
| 20. | ICE COLD INVESTMENTS PTY LTD | 20,000,000 | 0.95 |
| **Total** | | **931,231,251** | **44.14** |

## 5. Substantial shareholders

The names of shareholders who have lodged substantial holder notices with the Company with holdings which represent a substantial holding as at 31 August 2020 are:

**Name:** AIRE MANAGER PTY LIMITED as trustee for the SCM ABSOLUTE RETURN INVESTMENT EQUITY FUND (AIRE)
**Holders of:** an aggregate of 191,356,470 fully paid ordinary shares, representing 9.07% as at 10 August 2020.
**Notice received:** 29 September 2020

**Name:** Reef Investments Pty Ltd as trustee for T D Nairn Superannuation Fund (2), Reef Investments Pty Ltd as trustee for T D Nairn Superannuation Fund and Trevor Douglas Nairn as trustee for The T D Nairn Trust
**Holder of:** an aggregate of 109,584,116 fully paid ordinary shares, representing 7.049% as at 17 June 2019
**Notice received:** 3 July 2019

## 6. Restricted Securities

There are no restricted securities listed on the Company's register as at 31 August 2020.

## 7. On market buy-back

There is currently no on market buy-back in place.

## CORPORATE GOVERNANCE STATEMENT

The Board is responsible for establishing the Company's corporate governance framework. In establishing its corporate governance framework for the financial year ended 30 June 2020 (**Reporting Period**), the Board has referred to the Corporate Governance Principles and Recommendations (3rd Edition) published by the ASX Corporate Governance Council (**Recommendations**). The Company sets out below its compliance with, and departures from the Recommendations for the financial year ended 30 June 2020.

As at the date of this Statement, the Company has adopted the following corporate governance policies and procedures, which can be found on the Company's website at www.netlinkz.com under the section marked "Corporate Governance" (together, the **Corporate Governance Plan**):

a) Audit and Risk Committee Charter

b) Board Charter;

c) Board Performance Evaluation Policy;

d) Code of Conduct;

e) Continuous Disclosure Policy;

f) Diversity Policy.

g) Remuneration and Nomination Committee Charter;

h) Risk Management Policy;

i) Security Trading Policy;

j) Shareholder Communication Policy;

k) Technology Committee Charter; and

l) Whistleblower Policy.

The Board is committed to administering the Corporate Governance Plan with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. In light of the Company's size and nature, the Board considers that the current corporate governance regime is a fit-for-purpose, efficient, practical and cost-effective method of directing and managing the Company. As the Company's activities develop in size and nature, the implementation of additional corporate governance policies and structures will be considered.

The Company further notes that it is in the process of reviewing its Corporate Governance Plan in light of the 4th Edition Corporate Governance Principles and Recommendations which came into effect on 1 July 2020.

### Principle 1: Lay solid foundations for management and oversight

*Recommendation 1.1*

The Company complied with Recommendation 1.1 in full for the whole of the Reporting Period.

The Company has established the respective roles and responsibilities of its Board, Chair and management, including those matters expressly reserved to the Board and those delegated to management, and has documented this in its Board Charter. A copy of the Company's Board Charter is available on the Company's website.

*Recommendation 1.2*

The Company complied with Recommendation 1.2 in full for the whole of the Reporting Period.

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect, or re-elect a director.

During the Reporting Period, the Company appointed Mr Ian Renwood, Mr Grant Thomson, Mr Michael Beck and Mr Bruce Rathie as Directors of the Company, and confirms that appropriate checks were undertaken prior to each of their appointments.

*Recommendation 1.3*

The Company complied with Recommendation 1.3 in full for the whole of the Reporting Period.

The Company has a written agreement with each Director and senior executive of the Company, which sets out the terms of their appointment.

*Recommendation 1.4*

The Company complied with Recommendation 1.4 in full for the whole of the Reporting Period.

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Board Charter of the Company sets out the specific responsibilities of the Company Secretary.

*Recommendation 1.5*

The Company did not comply with Recommendation 1.5 in full for the whole of the Reporting Period.

The Board and the Group as a whole is committed to an inclusive workplace that embraces and values diversity while always upholding the principle of meritocracy.

During the Reporting Period:

a) the Company had in place a Diversity Policy;

b) for the reasons set out below, the Board did not set measurable objectives for achieving gender diversity in accordance with its Diversity Policy;

c) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation are set out below. The Company defines 'senior executives' as those employees whose direct report is the Chief Executive Officer, or the Board:

- All of the Company's Board members as at 30 June 2020 were male;
- All of the Company's senior executives as at 30 June 2020 were male; and
- 8% of the Company's entire workforce of 36 people, were female.

The Company notes that during the Reporting Period, the Company had in place a Diversity Policy which required (amongst other things) the Board to determine measurable objectives to achieve the diversity objectives set out in its policy. Notwithstanding the Board's commitment to diversity in the workplace, the Company did not comply (in full) with Recommendation 1.5 during the Reporting Period, as given the size of the Company and its workforce, it does not currently have sufficient resources to be able to define and implement a formal diversity program that is compliant with the Recommendations. Further, the Board considers that, at this stage, the incremental benefits of a structured diversity program are disproportionate to the implementation costs involved, when compared to the Company's current practices.

As a result, subsequent to the Reporting Period, the Board adopted a revised Diversity Policy which provides for a tiered approach to the implementation of the initiatives of Recommendation 1.5, which is relative to the size of the Group and its workforce. Accordingly, where the Group employs 100 or more employees, the Board of the Company undertakes to adopt practices in line with the Recommendations.

Whilst the Group's workforce remains below this threshold, the Board of the Company will continue to drive the Group's diversity strategies on an informal basis, and will apply the initiatives contained in its Diversity Policy to the extent that the Board considers them to be necessary, practical and achievable in the context of the Group's needs and available resources.

*Recommendation 1.6*

The Company complied with Recommendation 1.6 in full for the whole of the Reporting Period.

The Company has adopted a Board Performance Evaluation Policy which sets out the process for periodically evaluating the performance of the Board, its committees, and individual directors. During the Reporting Period, the Company charged the Chairman with the responsibility for driving the evaluation process set out in the Board Performance Evaluation Policy. Upon establishment of a Remuneration and Nomination Committee in May, 2020, that Committee assumed this responsibility.

A copy of the Board Performance Evaluation Policy is disclosed on the Company's website.

The process set out in the Board Performance Evaluation Policy was undertaken during the Reporting Period.

*Recommendation 1.7*

The Company complied with Recommendation 1.7 in full for the whole of the Reporting Period.

During the Reporting Period until the formation of the Remuneration and Nomination Committee in May, 2020, the Company's Chairman and Chief Executive Officer was charged with responsibility for evaluating the performance of the Company's senior executives, and the full Board was charged with responsibility for evaluating the performance of the Company's Chief Executive Officer.

The Company's process for evaluating performance of the Company's senior executives is to consider the Company's organisation performance objectives, and to annually review each senior executive's performance against these objectives, including the specific performance targets set for each executive.

The process set out above was undertaken during the Reporting Period.

**Principle 2: Structure the board to add value**

*Recommendation 2.1*

The Company complied with Recommendation 2.1 in full for the whole of the Reporting Period.

For the period 1 July 2019 to May, 2020, due to the size of the Board, the Company did not have a separate nomination committee, and the responsibilities of the nomination committee as set out in the then current Remuneration and Nomination Committee Charter were carried out by the full Board.

In May 2020, the Company established a joint Remuneration and Nomination Committee, comprised of two independent, non-executive Directors, being Mr Grant Thomson and Mr Bruce Rathie. Mr Thomson was appointed as the Chairman of the Committee and is not the Chairman of the Board.

Given the size of the Board, the Company did not consider it necessary that the Remuneration and Nomination Committee comprise three members, and considered that the composition of its Remuneration and Nomination Committee was sufficient to allow it to carry out its duties in accordance with its Charter.

The joint Remuneration and Nomination Committee is responsible for carrying out the duties and responsibilities set out in the joint Remuneration and Nomination Committee Charter, a copy of which is available on the Company's website.

The relevant qualifications and experience of the members of the joint Remuneration and Nomination Committee are set out in the Director Report section of the Company's 2020 Annual Report.

Details of the number of times the Committee met during the reporting period and the individual attendances of each of the members are also set out in the Directors Report section of the 2020 Annual Report.

*Recommendation 2.2*

The Company did not comply with Recommendation 2.2 in full for the whole of the Reporting Period.

The Board of the Company aims to ensure its members have a broad and complementary range of technical, commercial, financial and other skills, experience and knowledge relevant to overseeing the business of the Company.

Whilst the Company did not have a formal Board Skills Matrix setting out the mix of skills and diversity that the Board currently had or was looking to achieve, the Board regularly considers the skills, qualification and experience of existing directors and new board candidates against its the desired composition set out above. The Company has recently established a Remuneration and Nomination Committee, and intends to establish and maintain a Board Skills Matrix in the next Reporting Period.

*Recommendation 2.3*

The Company complied with Recommendation 2.3 in full for the whole of the Reporting Period.

Between 1 July 2019 and 21 October 2019, the Board was comprised of a majority of non-independent Directors, with the composition of independent and non-independent Directors on the Board being as follows:

| **Independent** | **Not Independent** |
|---|---|
| David O'Dowd | James Tsiolis |
| | Hualin Zhang |

The Chairman and CEO, Mr James Tsiolis, was not considered to be independent by virtue of his role as CEO of the Company, and his substantial shareholding.

Mr Zhang was not considered to be independent by virtue of his executive position with the Company.

Mr O'Dowd was considered to be independent.

Between 21 October 2019 and 25 October 2019, following the appointment of Ian Renwood on 21 October 2019, the Board was comprised of an equal number of independent Directors and non-independent Directors, with the composition being as follows:

| **Independent** | **Not Independent** |
|---|---|
| David O'Dowd | James Tsiolis |
| Ian Renwood | Hualin Zhang |

Mr Renwood was considered to be independent.

Between 25 October 2019 and 26 November 2019, following the appointment of Grant Thomson on 25 October 2019, the Board was comprised of a majority of independent Directors, with the composition of independent and non-independent Directors on the Board being as follows:

| **Independent** | **Not Independent** |
|---|---|
| David O'Dowd | James Tsiolis |
| Ian Renwood | Hualin Zhang |
| Grant Thomson | |

Mr Thomson was considered to be independent during his tenure as a non-executive director.

Between 26 November 2019 and 12 December 2019, following the resignation of David O'Dowd on 26 November 2019, the Board was comprised of an equal number of independent Directors and non-independent Directors, with the composition being as follows:

| **Independent** | **Not Independent** |
|---|---|
| Ian Renwood | James Tsiolis |
| Grant Thomson | Hualin Zhang |

Between 12 December 2019 and 14 April 2020, following the appointment of Michael Beck on 12 December 2019, the Board was comprised of a majority of independent Directors, with the composition of independent and non-independent Directors on the Board being as follows:

| **Independent** | **Not Independent** |
|---|---|
| Ian Renwood | James Tsiolis |
| Grant Thomson | Hualin Zhang |
| Michael Beck | |

Mr Beck was considered to be independent.

Between 14 April 2020 and 21 April 2020, following the resignation of Ian Renwood on 14 April 2020, the Board was comprised of an equal number of independent Directors and non-independent Directors, with the composition of independent and non-independent Directors on the Board being as follows:

| **Independent** | **Not Independent** |
|---|---|
| Grant Thomson | James Tsiolis |
| Michael Beck | Hualin Zhang |

Between 21 April 2020 and 30 June 2020, following the appointment of Bruce Rathie and resignation of Michael Beck on 21 April 2020, the Board was comprised of an equal number of independent Directors and non-independent Directors, with the composition being as follows:

| **Independent** | **Not Independent** |
|---|---|
| Grant Thomson | James Tsiolis |
| Bruce Rathie | Hualin Zhang |

Mr Rathie is considered to be independent.

The Board considered the independence of directors having regard to the guidance set out in Box 2.3 of the Recommendations and has not formed an opinion contrary to those guidelines.

*Recommendation 2.4*

The Company did not comply with Recommendation 2.4 in full for the whole of the Reporting Period, as noted above. Despite this, the Board considered that the mix of skills, experience and knowledge of the Board was at all times appropriate to meet the Company's needs, and has since effected Board changes such that the Company's Board currently comprises a majority of independent Directors.

*Recommendation 2.5*

The Company did not comply with Recommendation 2.5 in full for the whole of the Reporting Period.

As noted above, the Company's Chairman, Mr James Tsiolis, is not an independent Director and is the Chief Executive Officer of the Company. Despite being a departure from the Recommendations, Mr Tsiolis is considered to be the most appropriate person for his positions as Chairman and CEO given his deep technical industry knowledge, his Australian capital markets and public company experience and his vested interest in the Company as a shareholder.

*Recommendation 2.6*

The Company complied with Recommendation 2.6 in full for the whole of the Reporting Period.

The Company's program for the induction of new directors is tailored to each new Director according to their personal requirements, background skills, qualifications and experience and includes the provision of a formal letter of appointment and an induction pack containing sufficient information to allow the new Director to gain an understanding of the business of the Company and the roles, duties and responsibilities of Directors.

All Directors are encouraged to undergo continual professional development and, subject to prior approval by the Chairman, all Directors have access to numerous resources and professional development training opportunities to address any skills gaps.

**Principle 3: Act ethically and responsibly**

*Recommendation 3.1*

The Company complied with Recommendation 3.1 in full for the whole of the Reporting Period.

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (**Code**), which applies to all Directors, employees, contractors and officers of the Company, and addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. A copy of the Code is disclosed on the Company's website.

**Principle 4: Safeguard integrity in corporate reporting**

*Recommendation 4.1*

The Company complied with Recommendation 4.1 in full for the whole of the Reporting Period.

For the period 1 July 2019 to February, 2020, due to the size of the Board, the Company did not have a separate audit committee, and the responsibilities of the audit committee as set out in the then current Audit and Risk Committee Charter were carried out by the full Board.

In February, 2020, the Company established a joint Audit and Risk Committee, comprised of independent non-executive Director, Michael Beck, and Executive Chairman and Chief Executive Officer, James Tsiolis. Mr Beck was appointed as the Chairman of the Committee and was not the Chairman of the Board.

From April 2020 until 30 June 2020, the Audit Committee was comprised of independent non-executive Directors Bruce Rathie and Grant Thomson. Mr Rathie was appointed as the Chairman of the Committee and is not the Chairman of the Board.

Given the size of the Board, the Company did not consider it necessary that the Audit and Risk Committee comprise three members, and considers that the composition of its Audit and Risk Committee was sufficient to allow it to carry out its duties in accordance with its Charter.

The joint Audit and Risk Committee is responsible for carrying out the duties and responsibilities set out in the joint Audit and Risk Committee Charter, a copy of which is available on the Company's website.

The relevant qualifications and experience the members of the joint Audit and Risk Committee are set out in the Directors Report section of the 2020 Annual Report.

Details of the number of times the Committee met during the reporting period and the individual attendances of each of the members are also set out in the Directors Report section of the 2020 Annual Report.

*Recommendation 4.2*

The Company complied with Recommendation 4.2 in full for the whole of the Reporting Period.

Prior to the execution of the financial statements of the Company, the Company's Board received the relevant written assurances that the declarations provided in accordance with section 295A of the Corporations Act are founded on a sound system of risk management and internal control which is operating effectively in all material aspects in relation to the Company's financial reporting risks.

*Recommendation 4.3*

The Company complied with Recommendation 4.3 in full for the whole of the Reporting Period.

At the Company's Annual General Meeting held on 27 November 2019, a representative of the Company's audit firm, BDO, was present and available to answer questions from security holders relevant to the audit.

**Principle 5: Make timely and balanced disclosure**

*Recommendation 5.1*

The Company complied with Recommendation 5.1 in full for the whole of the Reporting Period.

The Company is committed to:

a) ensuring that shareholders and the market are provided with full and timely information about its activities;

b) complying with the continuous disclosure obligations contained in the Listing Rules and the applicable sections of the Corporations Act; and

c) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a Continuous Disclosure Policy, which is disclosed on the Company's website. The Continuous Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate governance policies and procedures and is available to all staff.

**Principle 6: Respect the rights of security holders**

*Recommendation 6.1*

The Company complied with Recommendation 6.1 in full for the whole of the Reporting Period.

Shareholders can access information about the Company, its operations and its governance (including its Constitution and adopted governance policies) from the Company's website at www.netlinkz.com.

*Recommendation 6.2*

The Company complied with Recommendation 6.2 in full for the whole of the Reporting Period.

The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors which is available on the Company's website. The Strategy outlines a range of ways in which information is communicated to shareholders, including via:

a) ASX announcements;
b) general meetings; and
c) the Company website;

In addition to the above, Shareholders can email or call the Company, via the Company Secretary, Investor Relations Liaison or Share Registry to seek further information to assist them in exercising their rights as Shareholders.

*Recommendation 6.3*

The Company complied with Recommendation 6.3 in full for the whole of the Reporting Period.

The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals. Shareholders are encouraged to participate at all general meetings of the Company by written statement contained in every notice of meeting sent to shareholders prior to each meeting.

The Company also accommodates shareholders who are unable to attend general meetings in person by accepting votes by proxy.

Further, any material presented to shareholders at a shareholders meeting is released to the ASX immediately prior to the commencement of the meeting, for the benefit of those shareholders who are unable to attend in person. The Company also announces to the ASX the outcome of each meeting immediately following its conclusion.

At each general meeting, shareholders are given an opportunity to ask questions in relation to the resolutions put to shareholders at that meeting, and in respect of the Company's business and operations generally. At each annual general meeting, shareholders are also invited to ask questions of the Company's external auditor and the Board in relation to the annual financial report of the Company.

*Recommendation 6.4*

The Company complied with Recommendation 6.4 in full for the whole of the Reporting Period.

Shareholders are given the option to receive communications from, and send communication to, the Company and its share registry electronically. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and relevant contact details (via the Company's website) for shareholders to make their enquiries.

**Principle 7: Recognise and manage risk**

*Recommendation 7.1*

The Company complied with Recommendation 7.1 in full for the whole of the Reporting Period.

For the period 1 July 2019 to February, 2020, due to the size of the Board, the Company did not have a separate risk committee, and the responsibilities of the risk committee as set out in the then current Audit and Risk Committee Charter were carried out by the full Board.

In February, 2020, the Company established a joint Audit and Risk Committee, comprised of independent non-executive Director, Michael Beck, and Executive Chairman and Chief Executive Officer, James Tsiolis. Mr Beck was appointed as the Chairman of the Committee and was not the Chairman of the Board.

From April 2020 until 30 June 2020, the Risk Committee was comprised of independent non-executive Directors Bruce Rathie and Grant Thomson. Mr Rathie was appointed as the Chairman of the Committee and is not the Chairman of the Board.

Given the size of the Board, the Company did not consider it necessary that the Audit and Risk Committee comprise three members, and considers that the composition of its Audit and Risk Committee was sufficient to allow it to carry out its duties in accordance with its Charter.

The joint Audit and Risk Committee is responsible for carrying out the duties and responsibilities set out in the joint Audit and Risk Committee Charter, a copy of which is available on the Company's website.

The relevant qualifications and experience of the members of the joint Audit and Risk Committee are set out in the Director Report section of the Company's 2020 Annual Report.

Details of the number of times the Committee met during the reporting period and the individual attendances of each of the members are also set out in the Directors Report section of the 2020 Annual Report.

*Recommendation 7.2*

The Company did not comply with Recommendation 7.2 in full for the whole of the Reporting Period.

The Company's process for risk management and internal compliance is set out in its Risk Management Policy and includes a requirement for the Board and/or the Audit and Risk Committee to regularly review the Company's risk management framework to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces, and to ensure that the Company is operating within the risk appetite set by the Board.

Arrangements put in place by the Board to monitor risk management include, but are not limited to:

a) maintenance of a risk matrix;
b) monthly reporting to the Board in respect of operations and the financial position of the Company; and
c) the preparation of quarterly rolling forecasts.

Whilst a formal review of the Company's risk management framework was not undertaken by the Audit and Risk Committee, the full Board regularly reviews and considers risk on an ongoing basis within its regular board meetings and in consultation with management.

*Recommendation 7.3*

The Company complied with Recommendation 7.3 in full for the whole of the Reporting Period.

Due to the size and nature of the Company's operations, the Company does not consider it necessary to establish a formal internal audit committee at this stage. The effectiveness of the Company's risk management and internal control processes is subject to annual review by the Audit and Risk Committee, with the assessment of whether the Company needs an internal audit committee being made having regard to feedback from the Company's finance team, CFO and auditors.

*Recommendation 7.4*

The Company complied with Recommendation 7.4 in full for the whole of the Reporting Period.

The Company's Risk Management Policy details the Company's risk management system which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (where appropriate).

The Company does not have any material exposure to environmental sustainability risk or social sustainability risk.

The Company's economic sustainability risk relates primarily to the ongoing funding and capitalisation of the Company and its ability to continue as a going concern. The nature of this risk is highlighted at Note 1 of the 2020 Annual Report which sets out the basis for the Board's assessment of the Company's going concern.

**Principle 8: Remunerate fairly and responsibly**

*Recommendation 8.1*

The Company complied with Recommendation 8.1 in full for the whole of the Reporting Period.

For the period 1 July 2019 to May, 2020, due to the size of the Board, the Company did not have a separate remuneration committee, and the responsibilities of the remuneration committee as set out in the then current Remuneration and Nomination Committee Charter were carried out by the full Board.

In May 2020, the Company established a joint Remuneration and Nomination Committee, comprised of two independent, non-executive Directors, being Mr Grant Thomson and Mr Bruce Rathie. Mr Thomson was appointed as the Chairman of the Committee and was not the Chairman of the Board.

Given the size of the Board, the Company did not consider it necessary that the Remuneration and Nomination Committee comprise three members, and considered that the composition of its Remuneration and Nomination Committee was sufficient to allow it to carry out its duties in accordance with its Charter.

The joint Remuneration and Nomination Committee is responsible for carrying out the duties and responsibilities set out in the joint Remuneration and Nomination Committee Charter, a copy of which is available on the Company's website.

The relevant qualifications and experience of the members of the joint Remuneration and Nomination Committee are set out in the Director Report section of the Company's 2020 Annual Report.

Details of the number of times the Committee met during the reporting period and the individual attendances of each of the members are also set out in the Directors Report section of the 2020 Annual Report.

*Recommendation 8.2*

The Company complied with Recommendation 8.2 in full for the whole of the Reporting Period.

Disclosure of the Company's policies and practices regarding the remuneration of Non-executive Directors and the remuneration of Executive Directors and other senior employees are set out separately in the Remuneration Report section of the Company's 2020 Annual Report and in the Company's Remuneration Policy.

*Recommendation 8.3*

The Company complied with Recommendation 8.3 in full for the whole of the Reporting Period.

In accordance with the Security Trading Policy, participants in the Company's Employee Incentive Plan are prohibited from entering into transactions which 'hedge' the risk of any fluctuation in the value of any unvested entitlement in the Company's securities.